Lebruary 3

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Newspaper of the Year

Wednesday February 26 1992

#### World News Bundesbank told to keep out of single market plans

THE EC's internal market commissioner, Martin Bange-mann, told Germany's Bundesbank to stop casting doubt on the Commission's ability to establish a single market by

January 1. Mr Bangemann, Germany's senior commissioner, is himself a stern critic of member states' sluggishness in imple menting single market legisla-tion and abolishing frontier controls. Page 2

New Nato role urged Nato, which is seeking a new role for itself following the end of the cold war, could become the military arm of the recently expanded 48-nation pan-European security forum, a US official suggested. Page 2

Arms traffickers jailed Five Iraqis convicted in Rome of running an arms trafficking ring which sent anti-tank cluster bombs from Italy to Iraq

were each jailed for four years.

N Korea 'almost nuclear' CLA director Robert Gates said North Korea could have a nuclear weapon within a few

Schooichildren strike Portuguese high school pupils went on strike for a day to demand the scrapping of a university entrance examination they claim is elitist.

20m bogus voters Nigeria has removed 20m fictitious names, equivalent to a

fifth of the population, from its voters' list, which is being updated for presidential elections at the end of the year. Lorries stuck at border Some 2,000 lorries were held up at the Spanish-French border by a 36-hour strike of cus-

toms workers protesting against job cuts after Europe's frontiers open next year. Taiwan threat to rhinos The World Wide Fund for Nature accused Taiwan of per-mitting trade in rhino horps

which, it says, endangers the

existence of the rhinoceros.

UK's new law chief Sir Peter Taylor is to replace Lord Lane as Britain's lord chief justice in April. Sir Peter, 61, was appointed a lord justice of appeal in 1988. In 1989 he chaired the inquiry into the Hillsborough football stadium disaster. Picture, Page 6

Killings condemned The Philippine government should stop unlawful killings by its security forces, accordng to Amnesty International. It says that at least 550 unarmed people have been killed by government-backed forces since 1988. Page 4

Arms spending to rise Sweden is to increase its defence spending at a time when most European countries are cutting their military bud-

Paternoster move

Environment secretary Michael Heseltine called in the planning application to redevelop Paternoster Square, the controversial site next to London's St Paul's Cathedral, taking the decision on the area's future away from the Corporation of London.

Private road plan axed The UK government scrapped plans for a privately funded road between Birmingham and Manchester. Instead, the M6 will be widened to four lanes in each direction.

Bligh's picture for sale The only known portrait of the Bounty's captain, William Bligh, painted by John Webber in 1776, is expected to fetch up to £150,000 at Sotheby's in ondon on April 8.

FT No. 31,694

#### **Business Summary** Unilever cautious despite £10m profits rise

Unilever, Anglo-Dutch food and consumer products group. reported a £10m increase in full-year pre-tax profits to £1.79bn (£3.13bn) after seeing an 8 per cent rise in the fourth

quarter to £473m.
In spite of the improved final quarter figure, which compares with 5438m a year ago, Sir Michael Angus, chairman, was cautious about immediate prospects. Page 15

BRITISH AEROSPACE is hold-BRITISH ABRUSTACE IS ROU-ing talks with Japan's three leading aerospace companies over a possible partnership in its BAe 146 regional jet pro-gramme. The three are Kawa-saki Heavy Industries, Fuji Heavy Industries and Mitsubi-th Heavy Industries and Mitsubishi Heavy Industries. Page 14; Airbus dispute, Page 3; BAe

GENERAL Electric Company: The UK company's researchers have discovered a new "hightemperature superconductor which may be suitable for large scale applications such as cables that could carry electricity for hundreds of miles without losing energy.

ELF AQUITAINE, acquisition-hungry French oil group, has bought British Petroleum's refining and marketing busi-nesses in West Africa and Tunisia, boosting its position in the region. Page 15

land, UK airline, is to be con-sidered by the European Commission today. Page 2

JAPAN will announce tariff cuts on a range of industrial items in imminent multilateral negotiations, but has apparently decided not to replace its rice import ban with a new tarifi schedule. Page 8

GERMAN ECONOMY: For the first time in three years, more German companies expect business conditions to get worse than to get better.

JAPAN's Fair Trade Commission has concluded that the country's six biggest corporate groups are becoming less reli-ant on in-house dealings and their extensive cross-shareholdings do not lead to exclusionary business practices.

PORSCHE: The emergency meeting of the supervisory board of Porsche succumbed to an ultimatum from Arno Bohn, the chief executive, and agreed "unanimously" to extend his contract for another three years. Page 16

**EUROPEAN Commission** is expected to launch an investi-gation into what it believes are unduly generous terms on which the Dutch govern-ment admitted Mitsubishi of

Page 2 CARMAKING: EC complaints that Poland plans to discriminate in favour of imports from certain Community carmakers are threatening to delay implementation of a EC-Poland free trade pact. Page 3

BANK OF JAPAN faced renewed calls for a cut in interest rates following the publication of a government report acknowledging a further dete-

HYUNDAL: The founder of South Korea's giant group, who has launched a party to

PERRIER: French police are investigating suspected irregu-larities over the sale of a stake in the mineral water group to Saint Louis, sugar group allied to Italy's Agnelli family.

AER LINGUS: A possible fine on the Irish national carrier for refusing to grant reciprocal ticketing rights to British Mid-

Page 2

Japan as a shareholder into Volvo of The Netherlands.

economy. Page 4

who has latinfied a party to challenge president Roh Tae-woo's government, blamed the government for the financial woes of the group's subsid-

### Israel demands permanent right

of settlement

ISRAEL has presented Arab delegations at the Middle East peace talks with a plan for Palestinian self-rule under which Israelis will have the right to live and settle in the occupied territories indefinitely.

The hard-line Israeli proposal, which is understood to have been put forward on Monday, falls far short of the arrangements that Israel

agreed to 10 years ago.

Arab delegates said yesterday they were dismayed both by the content and the tone of the document. They said it indicated that Israel, far from wishing to allow genuine Pal-estinian self-rule, was determined to tighten its control over the occupied territories.

While they recognise that the latest plan is part of a tough Israeli negotiating stance, some Arab delegates

question how much longer they can remain involved in the Middle East peace process.

"While the settlements are going on, while the buildozers are levelling our land, it is very clear that Israel is trying to dig the grave of the peace process," Palestinian spokeswoman Hanan Ashrawi said. The US has avoided com-

menting on the details of the

Baker, the secretary of state.

Mr Baker announced on Monday that Israel would only be granted the \$10bn in loan guarantees it has requested if it agrees to stop building new settlements in the West Bank, Gaza and Golan Heights.

Israel worries about future

US pressure.....Page 4

Under agreements negotiated between Israel, the US and Egypt at Camp David in 1978, and at subsequent meetings, it was agreed that the Palestinians should enjoy "full autonomy" for a five-year period before the final status of the territories was recruited.

the territories was negotiated. Israel also proposed at Camp David to end its military government and withdraw its forces to specified security zones following free elections for a self-governing Palestinian authority. The Palestinians were to be given a large mea-sure of responsibility for managing their own affairs. In the latest, confidential

Israeli proposals outlined to the US and the Arab delegaullet Has dropped any suggestion of a redeployment of the army. Makes no mention of an negotiations, but Mr James elected authority. ● Insists that it will have sole

that self-rule will apply only to people, not to land; that all existing links between Israel and the occupied territories will remain; and that there will be full "co-operation and co-or-dination" between the interim self-governing authority and the Israeli government.

The Palestinian body would not have any authority over Israelis living in the occupied

In addition, Israel stresses

territories nor for Arabs living in east Jerusalem. The Palestinians have demanded the withdrawal of

Israeli forces. Mr Yosef Ben-Aharon, the leader of the Israeli delegation, insisted on Monday that Israel was committed to the Camp David agreements, although "not every word was still appli-

Recalling the opposition of Arab governments to the Camp David agreements, he said Israel had brought experts to Washington who were prepared to provide an analysis of some of the dozen issues dealt with in those accords such as justice, agriculture, education, transport and municipal

Mr Ben-Aharon said: "Rather than build a whole edifice from the outset we are going to concentrate on these issues, one by one, and see what every



Palestinian spokeswoman Hanan Ashrawi: "It is clear that Israel is trying to dig the grave of the peace process'

#### will take little comfort from responsibility for security in these latest Israeli proposals. okyo stock losses scandal emerges

By Stefan Wagstyl in Tokyo

JAPAN'S Ministry of Finance is examining disclosures that stockbrokers manipulated losses on client portfolios to help the customers windowdress their accounts. The affair could further

erode investors' faith in the Japanese stock market, which was last year hit by scandals involving brokers' links with gangsters and the payment of compensation to favoured clients. Although the Nikkei index rose yesterday by 52 points to 21,025.55, securities companies' stocks fell.

The ministry's probe will centre on accounting practices

losses to some brokers, among them Cosmo Securities, a mediover a claim for Y690m. chairman and vice president have resigned to take responsibility for a Y36bn (\$279m) loss, which has wiped out about a third of Cosmo's shareholders'

Daiwa Securities, one of the Big Four companies, and Yamatane Securities, another medium-sized house, have also disclosed similar disputes over portfolio losses with clients. Daiwa has settled a dispute with Tokyo Land, a leading real estate group, by paying involve brokers transferring

which have brought significant out Y3.5bn. Yamatane is still negotiating with two clients similar cases in the next few

months is inevitable, particularly with many companies closing their books at the end of the financial year in March. Mr Tsutomu Hata, finance minister, told journalists yes-terday that following last year's arguments over the payment of loss compensation it was over-optimistic to think that disputes between brokers and clients had ended.
The latest disclosures

lossmaking stock portfolios from one client to another to help the first client windowdress annual accounts. The second client accepts the portfolio in return for a fee and a guarantee that the broker will

buy back the portfolio. In the past, such portfolios were transferred from one client to another, with few hic-cups. By using clients with different book-closing dates, brokers could keep the net-work going for a long time in the hope that a recovery in stock prices would pull the portfolio out of the red.

Although such window-

dressing is frowned upon by the Finance Ministry, brokers were under great pressure from clients. In some cases, they may also have felt obliged to arrange repurchase agreements because of no-loss guarantees given to the original cli-ents. In other words, brokers window-dressed client accounts to save their own as as well as the customers' skins.

However, the transactions seem to have run foul of the revision of the Securities and Continued on Page 14

Former premier tells of Y10m

### Confidential plan for occupied territories dismays Arab delegates | Consumer confidence in US lowest for 17 years

By Michael Prowse in Washington

US consumer confidence dropped sharply this month to the lowest level since 1974, raising fresh doubts about the outlook for economic recovery. The news was a blow to President George Bush, who is on the campaign trail trying to win support from disgruntled middle-income voters.

The Conference Board, a New York-based business consultancy group, said its widely followed index of confidence fell to 46.3 from a revised 50.2

in January, the fifth consecu-tive monthly decline.

Confidence is more than 30 points below the levels recorded during last summer sputtering recovery and well under half the level that would indicate a strong economy.

Mr Alan Greenspan, the Fed-

eral Reserve chairman, yester-day repeated his prediction that the business climate would improve shortly. But, testifying before the Senate Banking Committee, he was distinctly less upbeat than in testimony last week.

The confidence figures were "quite disturbing", he said. The Fed had to be "particularly sensitive to signs that the anticipated strengthening in business activity is not emerging and be prepared to act

should the need arise". Mr Greenspan said signs of recovery should not be exaggerated and warned that the incipient recovery "could peter out, as indeed the much more vigorous recovery of last spring petered out".

Senator Donald Riegle, the Democrat chairman of the banking committee, called for a more aggressive monetary policy. "I think you are too passive," he told Mr Green-

On Wall Street, the dismal confidence figures and Mr Greenspan's more bearish remarks renewed hopes that the Fed might cut interest rates again. The long bond was up over half a point at midday having initially surged higher on the release of the confidence figures. Shares fell on fears that the recovery would be further delayed. The Dow Jones Industrial Average closed at 3,257.83, down 24.59. Continued on Page 14

Lex, Page 14 Government bonds, Page 18 World stocks, Page 34

### S African Conservatives urged to reject reforms

pro-apartheid Conservative party yesterday urged its sup-porters to reject political reform, and vote "no" in next month's whites-only referen-

Mr Andries Treurnicht, the Conservative leader, said the party's leadership council had wished to boycott the poll, but rank and file members of the parliamentary caucus had out-voted them. The party met for several hours on Monday night and all day yesterday to resolve the dispute over participation

Mr Treurnicht seemed subdued when announcing the start of the "no" campaign in a radio broadcast. He referred several times to the possibility that the Conservatives might lose the referendum, an outcome which would have the gravest political consequences for the party. "If we lose, this is not the end of the political war in South Africa," he said, adding, "there is still a white nation Stark choice for white voters ......Page 4

that cannot be wished away." Asked whether his party expec-ted to win the poll, Mr Treur-nicht said only that victory would be "difficult, but it is resible"

The Conservatives know they cannot count on a united rightwing front in the referendum campaign, which may also explain their reluctance to participate. Yesterday the leader of the largest rightwing splinter group, the neo-Nazi Afrikaner Weerstandsbeweging (AWB), or Afrikaner Resistance Movement, Mr Eugene Terre Blanche, said it would do all in its power to stop South Africa's 3m whites voting.

"We cannot allow them to be led to the slaughter like lambs," said the AWB leader, who shares Conservative party mands for a return to apart heid and creation of an allwhite state, but supports the violence which the Conserva

tives eschew. He threatened violent resistance, saying blacks, who out-number whites by five to one, have declared war on your "have declared war on your property rights... We are going to have war." Mr Terre Blanche is a considerably more powerful orator than Mr Treurnicht, whose performance yesterday was lacklustre.

The referendum is a calculated political gamble by Mr F.W. de Klerk, the president and leader of the ruling

National party, to marginalise the Conservatives. If they lose, the Conserva-tives will be left with little constitutional outlet for their opposition, with only 42 seats in a parliament dominated by 102 National party MPs. The Conservative party was formed a decade ago when hard-line MPs broke away from the

National party.

If Mr de Klerk loses the ref erendum, he will resign and call an election, which the Conservatives could expect to win.

STOCK INDICES

2.546.8 (-12.9)

FT-A All-Share:

1,221.30 (-1.0%)

1,156.42 (-7.49)

# Personal computers from IBM.



#### THE FINANCIAL TIMES LTD. 1992 CONTENTS

an election drama .....

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Companies: ITT changes its image to seek

dities: Finnish farmers lear the CAP 2,4 Arts Guide + Reviews , 11 Gold . Commercial Law ...... 10 22 

#### World Trade: Jakarta jockeys for a stronger Victory of Desert Storm results 3 in tragedy of desert stalemate



Western policy towards Iraq has resulted in a gruesome stalemate. pledged that Saddam Hussein will not be allowed to remain in power, without explaining how he

Irrii, Capital Markets 24,25 Intl & Govt Bonds ....... 24 Stock Markets world ..... 34 \_\_\_\_ 24 \_\_\_\_ 13 -London ... Technology

STERLING New York : \$1.73015 (1.7465) Landon: \$1,757 (1.7475) DM2.88 (same) FFr9.795 (9.79) SFr2.61 (2.505) Y227.5 (225.5) £ index 90.7 (90.8)

MARKETS

GOLD New York Comex Apr \$364.4 (365.2) \$350.2 (349.8) N SEA OIL (Argus) Brent 15-day Apr \$17.35 (17.325)

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New York DM1.6575 (1.6525) FFr5,636 (5,6175) SFr1.50475 (1.4935) Y129.85 (129.15) DM1.6395 (1.648) FFr5.575 (5.6025) SFr1.485 (1.491) Y129.45 (129.1) \$ Index 64.0 (64.4) Tokyo close:Y129,32 US CLOSING RATES

DJ Ind. Av. 3,257.83 (-24.59) S&P Comp Tokyo: Nikke Fed Funds: 3% % (315) 3-mo Treasury Bills: 4.067% (4.013%) Long Bond: 1014 (105) 100% (100%) Little long gilt future: yield: 7.943% (7.965%) Mar 9731 (Mar 9732) 104 (105)

21,025.55 (+52.31) LONDON MONEY

### Struggle for control of Soviet debt bank

THIRTEEN former Soviet vote. Vnesheconombank is republics yesterday signed a now governed by an inter-state communique demanding that Vnesheconombank, the Moscow-based conduit for the repayment of hard currency debt, be removed from Russian jurisdiction. Russia. however. was pointedly absent from the meeting of prime ministers and their deputies representing all other former Soviet republics.

mcluding the Baltics.

The proposal – another foray in the economic battle between Ukraine and Russia would place Vnesheconombank under the control of a new inter-state council in which all former Soviet republics, including the Baltics but not Georgia, would have one

Party files

show only

part of the

Soviet story

STALIN'S membership card and Boris Pasternak's pleadings for royalties from his novel Dr Zhivago went on public display yesterday as

archives were thrown open for

Having rounded up the once-

secret files in the heady days

following the abortive coup last August, the Russian government has inaugurated a reading room around the

corner from the ex-central committee building, the party's former headquarters.

Only a tiny selection of the files was on display, but it was a graphic illustration of the

now outlawed party's far-reaching control over every detail of Soviet life.

For example, a report written in 1986 by Mr Alexander Yakovlev, the

acknowledged godfather of

glasnost, provided the central committee with details of a

meeting with Graham Greene,

controversial topics such as

party finances and support for

western communist parties were not displayed. Indeed, only 30 per cent of the files are deemed fit for public consumption, in the absence of legislation on state secrets and

the right to privacy.

Mr Rudolf Pikhoya

chairman of the government's

archives committee, said his centre had almost half the 70m

Communist party files available in Russia for the

period 1952-91.

He said that all documents

from the past 10 years would remain off-bounds until state

experts had determined which should remain classified.

But Mr Pikhoya is expecting

soon to receive a number of files from the personal archives of former president Mikhail Gorbachev. Yesterday's exhibition featured Mr Gorbachev's

membership card from 1952, when he was studying law at Moscow State

university.
Visitors were also treated to

a recording of a speech in which the Soviet leader pledged his undying support

pledged his undying support to the party whose demise he was unable to prevent. "The party's interests are for me no less dear than to those who try to doubt my allegiance to it." Mr Gorbachev told the central committee less than a year

ago.
Access to documents will be

free of charge for academics, but other visitors will have to

pay a fee, as befits the new free market regime.

Documents on

with foreigners

By Leyla Boulton

council in which Russia has 61 per cent of the vote.

The idea is to be discussed at the Commonwealth of Independent States meeting on March

A report by Salomon Brothers, the New York-based merchant bankers, warned yesterday that western commer-cial banks faced the "almost certain prospect" of a moratorium on principal debt repayments by the former Soviet republics throughout this year. This was because the republics were more preoccupied with their own domestic problems and were suspicious of Russia's role in negotiating the debt.

Ukraine's said after yester-day's meeting in Kiev that were control of Vnesheconombank to change it might be willing to accept collective responsibility with the other republics for former Soviet

European Community external affairs commissioner Frans Andriessen, in Kiev yesterday. underlined the pressure on Ukraine by insisting that the EC's promised \$150m line of credit to Ukraine would remain frozen until Ukraine assumed joint and several" responsibility for the debt.

Under the terms of an interrepublican agreement signed last December, western official creditors agreed to a temporary moratorium on medium and long-term official debt. This was followed by a temporary moratorium on payment of principal to commercial banks. A moratorium on offi-cial credits was extended to the end of 1992.

This agreement, which com-mitted each republic towards contributing a share of the convertible currency needed to make debt-service payments. was a precondition for assent by official creditors to an extension of the principal moratorium for all of this year.

Salomon Brothers say that the agreement is almost impossible to implement, because: "there is no way to ensure that each republic will contribute to the debt service pool, even if they had access to convertible currency income": • "all the republics, particularly Ukraine, are suspicious of the [banking and financial] apparatus that appears to be under the control of the Rus-

sian republic"; "although the G7 [group of industrialised countries] warned the constituent republics that their specific creditworthiness would be harmed if the debt is not fully serviced, it is doubtful if the political elite in many republics are overly concerned with international creditworthiness at a time when popular discontent with food prices and shortages is the major concern"



Nato's secretary-general, Mr Manfred Wörner (left), pictured at a meeting in Moscow yesterday with President Boris Yeltsin. Speaking after two days of talks with Russian leaders, he hailed a new era of trust and co-operation with the Commonwealth of Independent States and said the western alliance would work with its former enemy to stop the spread of nuclear weapons and a possible brain drain of Soviet scientists...

### CIS states give pledge on arms cuts

By David Buchan in Brussels

THE SUCCESSOR states to the Soviet Union have promised to agree by the end of May on a share-out of the weapons cuts to which Moscow committed itself under the 1990 Conventional Forces in Europe (CFE) treaty, a Nato official said yes-

the British writer. Such reports were until recently At a meeting with Nato and east European countries in Brussels last Friday, members of the Commonwealth of Inde-pendent States (CIS) promised to re-allocate the weapons routine practice for any senior party official who had contacts The exhibition was also interesting for what it did not

reductions in time for a special conference at the end of May, in the hope that the CFE treaty could come into force by this summer's Helsinki conference. The five other members of

the defunct Warsaw Pact have ratified the CFE pact, as have 11 Nato countries; the remaining five Nato members expec-ted to do so very soon. But it is a tall order for the CIS states to settle their raging quarrels about redistributing Soviet mil-itary resources within the next

The CFE treaty, setting geographic ceilings on tanks, artillery, combat aircraft and helicopters, covers the territory of eight CIS members.

three months.

However, three of these Ukraine, Georgia, Azerbai-jan - are outside the CIS joint military command.

The treaty was negotiated on the basis of the old Soviet military districts, whose boundaries do not coincide with the new CIS borders. It thus allows

Ukraine far more weapons than Russia (west of the Urals), but also splits it in two, along the dividing line between the old Soviet military districts of Kiev and Odessa.

Nato officials said yesterday they hoped to get away with only minor technical adjustments to the treaty, which they said was "the cornerstone" of any further arms control, such as the troop reductions being discussed in

### US says CSCE could use Nato force

By Robert Mauthner, Diplomatic Editor

NATO, which is seeking a new role for itself following the end of the cold war, could become the military arm of the recently expanded 48-nation pan-European security forum, a senior US official suggested yesterday.
"Nobody foresees a military

structure for the Conference on Security and Co-operation in Europe," Mr John Kornblum, chief US delegate to the CSCE review conference, which opens in Helsinki next month, said in a satellite television broadcast linking Washington with five European countries.
"But the US would probably

find it useful if Nato was one of the agencies for providing troops for the CSCE." Mr Kornblum went out of his way to counter perceptions that the CSCE - grouping the western Warsaw Pact and the newly independent republics of the former Soviet Union - was incapable of taking effective action because of its rule that decisions should be taken by

That impression had been fostered by its failure to adopt a decisive role in solving the Yugoslav crisis. But it should be realised that the new structure of the CSCE had only just been put in place when the Yugoslav crisis broke out and that, in any case, the organisation was never intended to enforce solutions by military

not crisis management, but crisis and conflict prevention." such as human rights, confidence-building measures and

Rejecting the idea that there was a duplication of roles between the CSCE and the new Nato Co-operation Council, created as a link between the North Atlantic allies, eastern Europe and the former Soviet republics, Mr Kornblum said the organisations were complementary.
The CSCE, with a much

wider membership, provided a broad political blue-print for dealing with the complex situation created by the disintegra-tion of Cold War structures. Nato was much more narrowly focused on security issues and

means. "Our first purpose is did not cover important areas dence-building measures and

One of the main tasks of the Helsinki review conference would be to enhance the CSCE's ability to take concerted action.

A cautious step in this direction had been taken at the recent CSCE ministerial meeting in Prague, when it was agreed that a single member state could be overridden if found guilty of "clear and gross violation" of its CSCE commitments. But consensus would nevertheless remain the "cardinal principle" for deci-sion-making, Mr Kornblum

### Aer Lingus faces fine over ticketing move

By David Buchan

A FINE on Aer Lingus, the Irish national carrier, for refus-ing to grant reciprocal ticketing rights to British Midland, the UK airline, is to be announced by the European

Commission today.

The Brussels competition directorate believes that Aer Lingus' move to scrap a long-standing "inter-lining" agreement with British Mid-land in 1989 – just when the latter started flying to Dublin

- constituted an illegal abuse of the Irish carrier's dominant position on the London-Dublin route. Inter-lining agreements allow travel agents to issue passengers with a single ticket allowing them to change air-lines on different legs of their

journeys.

Brussels favours such agreements, not only because they give customers more flexibility but also because, at a time when the Commission is seek-

ing to liberalise air travel, they make it easier for airlines to pick up passengers on new routes and thereby encourage entry into the market.

Last year's withdrawal by British Airways from the London-Dublin route has helped in fact both Aer Lingus and Brit-ish Midland since. Inter-lining agreements are common between EC airlines, but not obligatory. However, according to the EC competition directorate, in reacting to direct route competition from British Mid-land by scrapping the ticketing agreement it had had with the UK airline since 1964, the Irish carrier was abusing its domi-nant position in flights to and from the Irish capital.

In an earlier case involving Air Europe, the Commission defended the right of a smaller airline to an inter-lining arrangement with a bigger car-

### German companies see worse to come

By Quentin Peel in Bonn

FOR THE first time in three years, more German companies expect business conditions to get worse than to get better.

On the other hand, an overwhelming majority consider that the economic situation is good, or at least satisfactory. Investment intentions remain absolutely balanced between companies planning an increase and those intending to cut back. These were the key conclu-

sions of the bi-annual survey of business opinion of the German Chamber of Commerce and Industry (DIRT), published yesterday, which confirmed the growing pessimism in the economy after two remarkable growth years.

"The economy in Germany is taking a pause for breath," according to Dr Franz Schoser. chief executive of the chamber. "But in spite of a clear weakening, there are still no symptoms of a recession." In spite of that, he admitted that there had been a "slump" in business confidence.

The survey covers more than 20,000 enterprises in west Germany, and some 4,000 in the east. It concludes that 25 per cent think the economy will get better, 27 per cent that it will get worse, and 48 per cent that it will remain much the same. Those figures compare with 40 per cent expecting an improvement, and only 13 per cent a worsening, one year ago.

Key elements in the grimmer mood include the lack of

impulse from exports, and the fact that the extraordinarily high consumer demand at the time of German unification is falling back. Another reason for pessimism, the survey suggests, is the high level of wage demands from trade unions, as well as rising inflation, high interest rates and increased tax and social security payments.

There is still a sharp contrast in the expectations of businessmen in the two balves of the country: in the east, where economic activity collapsed in the wake of unification, there is a pick up. Forty-six per cent of enterprises expect an improvement in their economic situation, against 42 per cent expecting no change, and only 12 per cent expecting further deterioration. The mood is clearly more optimistic among small and medium circumstant and ci and medium-sized enterprises than in the big businesses, Mr

Schoser said The surprising conclusion is how many businesses in the west still consider the eco-nomic situation "good": no fewer than 38 per cent, while a satisfactory, and only 14 per cent poor.

As far as investment plans are concerned, the boom of the past three years has clearly ended, leaving plans steady, but not falling. The principal motive for investment is rationalisation, the DIHT says, and not expansion. Environmental protection is also a growing reason for investment regardless of the economic cli-

mate.
The survey shows some stark differences between business sectors in their assessment of the economic climate. Thus only 29 per cent of enter-prises in the investment goods industries think their situation is good (against 51 per cent last

year.) The sharpest slump in mood is in the machine engineering sector, while there is more optimism in electronic industries, precision engineering, and optics.
The attitude is more cheerful

in consumer goods, food indus-tries, wholesale and retail trade, transportation, and above all in construction, where there was the least deterioration. In the building industry, for example, 39 per cent still saw the situation as "good", and 53 per cent as "sat-isfactory".

### Spain's top guns sign up for war of words

struggling to get out of their good money in commercial air-lines have finally hit upon a fool-proof escape route - they

are becoming politicians.

Spain's Constitution places a
high worth on the value of
political service and with just three Weeks to go before regional elections in Catalonia, some 42 pilots have insisted on making use of a legal right which enables them to leave the air force for two years to become election candidates and if they get elected, they get

The issue has taken about two years to come to a head, with reports of restlessness among pilots surfacing quite frequently in the Spanish press. About a year ago, one

from their contracts.

"The fact that experienced pilots are trying to leave is very worrying," said an air force official, "and we are trying to solve the problem." The Catalan ploy is all the more bitter for the government as most of the 42 men are going to be candidates in a party formed by the maverick finan-cier, Mr José Ruiz Mateos, whose Rumasa banking and industrial empire was expropri-

standing for him is likely to be elected, but then none of them

### Bangemann raps. Bundesbank over single market

THE EC's internal market commissioner. Mr Martin Bangemann, yesterday warned Germany's Bundesbank to mind its own business and stop interfering with the Commission's attempts to establish a

barrier-free single market. The Bundesbank commented in its report last week that completion of the single market by the January 1, 1993 deadline was not assured.

"I don't deny that there's a certain connection between the success of the internal market and the possibility of creating a common currency." said Mr Bangemann after yesterday's meeting of internal market ministers. But he added that ministers. But he added that the Bundesbank should not try to judge what the Commission was doing: "Everybody should keep an eye on their own cows," he said. Mr Bangemann, Germany's

senior commissioner, is him-self a stern critic of member states' sluggishness in imple-menting single market legisla-tion and abolishing frontier

At yesterday's meeting he again put pressure on EC countries to accelerate the removal of internal barriers, although he indicated that there was no immediate need for a single regulation to sweep away all remaining border controls on goods. Mr Bangemann said he hoped compromise proposals under discussion would enable Britain, which is reluctant to lift border-checks on people, to drop controls.

Mr Bangemann also praised some EC countries for improved implementation of EC single market directives. For example, Italy - repeatedly criticised by the Commission for not transforming EC directives into national law quickly enough - has leapt from bottom of the Community league table to fifth in less than a month. The back-markers are now the three Benelux

Divisions within the Bundesbank over plans for European economic and monetary union resurfaced yesterday with an outspoken attack on the Maastricht treaty by a regional member of the bank's ruling council,

writes Quentin Prel in Bonn, Mr Wilhelm Nölling, presi-dent of the Hamburg state central bank, warned in a newspaper article that currency union could be "abortive and premature," posing risks for monetary stability

in Germany itself. He singled out a series of "indispensable" precondi-tions laid down by the Bund-esbank, and not fulfilled in the Emu agreement. The most important, he said, was that Emu should not be tied to a rigid timetable, but that transition to each further phase should depend "on the fulfilment of economic pre-conditions laid down clearly

in advance."
As for the economic convergence criteria themselves. and the possibility of sanc-tions being imposed on mem-ber states for failing to observe them, he questioned whether they amounted to "adequate precautions to ensure an effective budget discipline."

countries, although they argued yesterday that they were about to implement a number of EC directives.

• The third non-life insurance directive, which will enable consumers to buy non-life insurance policies from companies anywhere in the EC from mid-1994, was formally agreed by ministers yesterday.
Socialist MEPs, objecting to

neglect of the single market's social aspect, had been blocking the directive in the European Parliament but lifted this last procedural obstacle two

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#### **NEWS IN BRIEF**

### Brussels aid inquiry over Dutch Volvo deal

THE European Commission is today expected to launch a state aid investigation into what it believes are unduly generous terms on which the Dutch government admitted Mitsubishi of Japan as a shareholder into Volvo of the Netherlands, write David Buchan in Brussels and Ronald van de Krol in Amsterdam,

In December, the Dutch government reduced its 70 per cent stake in the local Volvo car-making operation by selling 33 per cent to Mitsubishi and 3 per cent to Volvo of Sweden which previously held 30 per cent, putting all three partners on a par. government has committed itself to pulling out altogether by 1998 by selling its one-third stake (at 1991 prices) equally to the

The government is also understood to be giving soft loans to the two car-makers' joint venture to replace the "400" series of Volvo with a new model. Brussels believes the prospects for the venture are too good to justify any subsidy. Failure of a government to behave like a rational investor has become a key test Brussels applies to judge whether state "aid" is involved.

#### Poland devalues zloty 12 per cent

Poland yesterday devalued its currency, the zloty, by 12 per cent against a basket of five western currencies, the National Bank of Poland (NBP) said, Reuter reports from Warsaw.

The move, aimed at boosting exports, reduced the zloty's value against the dollar by 10.46 per cent. The previous rate of 11,853 zloties to the dollar was increased to 13,238. ■ President Lech Walesa threw down a challenge to parliament yesterday when he renominated Mr Hanna Gronkiewicz-Waltz, a lawyer, as his choice for central bank chief, despite her earlier rejection for lack of experience.

French asylum plan quashed

Controversial French government plans to allow police to detain asylum seekers at airports for up to one month without access to a lawyer were deemed unconstitutional yesterday by the coun-

a lawyer were deemed unconstitutional yesterday by the country's top legal body, Reuter reports from Paris.

The Constitutional Council said the proposal violated Article 8 of France's 1958 constitution which guarantees the availability of legal counsel to anyone requesting it. The ruling is likely to embarrass France's Socialist government which had hoped to create so-called "transit zones" at airports.

Malta's EC membership target

Maltese entry into the EC is the top priority for the island's new Christian Democratic government which won a second five-year term at the weekend, Mr Eddie Fenech Adami, the prime minister, said yesterday, writes Godfrey Grima in Valletin.

Mr Fenech Adami's Nationalist Party won an absolute majority of 51.8 per cent of the popular vote to secure a three-seat parliamentary majority.

Tension rises after Bosnia bomb Tension rose in Bosnia Hercegovina yesterday after a bomb injured 12 people and damaged a building housing a Croat cultural centre in the northern town of Odzaci, writes Laura Silber

The explosion late on Monday threatened to damage relations

The explosion late on Monday threatened to damage relations between the Slavic Moslems, Serbs, and Croats who make up the Yugoslav republic's population, just days before this weekend's referendum on independence. Moslems, who make up 41 per cent of the 4.4m population, are expected to vote for independence. Croats - 17 per cent of the population - mostly support independence although ultra-nationalists want Bosnia to join Croatia.

Madrid hit by transport strikes

Bus and and underground railway strikes brought traffic chaos to Madrid yesterday, Reuter reports from Madrid. Tailbacks of up to 15km were reported on some acress roads into the capital as tens of thousands of commuters took to their cars despite metro workers running a minimum service. Bus workers have been out for more than three weeks. Both groups are protesting about lack of progress in wage negotiations.

Irish move on motor insurance

The Irish government is to accelerate legislation to try to reduce motor insurance costs, following a report yesterday showing that premiums in Ireland are on average 70 per cent higher than in the UK for comprehensive cover, and 106 per cent higher for non-comprehensive cover, writes Tim Coone in Dublin.

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Registered office: Number One, Southwark Bridge, London SEI 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited, Bublishing diseases Bellet cial Times Limited, The Financial News Limited, Publishing director; J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scundinavia) Vimmel-skaftet 42A, DR-1161 Copenhagen-K, Denmark, Telephone (33) 13 44 41, Fax (33) 935335.

### Swedes boost defence sector

Regional security fears force Stockholm to spend

Robert Taylor in Stockholm

SWEDEN plans to increase its defence spending at a time when most European countries are cutting their military budgets and wants to boost Swed-ish arms sales abroad, particularly to the countries of eastern Europe.

Mr Anders Bjorck, the countrys defence minister, announced yesterday that the centre-right government intends to increase annual military expenditure by SKr900m (\$151m) with an additional rise every year until 1997 equiva-lent to 1.5 per cent of the appropriation for military

This means a SKr7.3bn growth in Swedish defence spending over five years. The proportion of the country's gross national product going into military expenditure will

rise slightly to 2.4 per cent. In 1992-1993 Sweden will spend SKr37.745bn on its defence, compared with SKr35.460bn in the last financial year. Sweden's security forces must be adapted to new challenges, said Mr Bjorck. "They will be leaner but meaner". Although recognising "the old imminent threat of a major east-west war can be written off in practice", Mr Bjorck said that "the risks of local conflicts in eastern

Europe have clearly grown". "In a long-term perspective there is obvious uncertainty, particularly with regard to developments in Russia and its neighbouring countries." Mr Bjorck said air defence would have a high priority and

he confirmed the government's

commitment to the new JAS39

Gripen multi-role aircraft.

capability while the army will receive equipment up to inter-national standards emphasising speed and mobility. In an introduction to the government's new defence policy statement, Sweden's prime minister, Mr Carl Bildt, declares that "the strategic reality" of northern Europe means "the hard core of Swedso that we can be neutral".

The Swedish navy is to have an enhanced anti-submarine

ish defence policy must remain free of involvement in any military alliance but with a duty to prepare for our own defence But at the same time the Swedish government will encourage the country's arms manufacturers to seek closer

co-operation with European

Nato countries in joint pro-

## 15-year contracts with the Defence Ministry and earn

four years of freedom.

squadron nearly went on strike in protest at the Defence Ministry's refusal to release pilots

ated by Madrid eight years ago. Since then he has managed to keep himself immune from prosecution for alleged fraud by getting himself elected as a Euro MP. None of the pilots than its likely to be

#### **WORLD TRADE NEWS**

### France, Germany in dispute over Airbus assembly

By Paul Betts, Aerospace Correspondent, in Singapore

THE launch of a new European Airbus 125-seat airliner, the A319, is being held back by French demands that it should be assembled in France rather

The disagreement over the A319, a shorter derivative of the A320 twin-engine narrow-body airliner, highlights again the problems of managing the collaborative Airbus programme between its four pert-ners: Aérospatiale of France (37.9 per cent), Deutsche Aero-Space (20 per cent), British Aerospace (20 per cent) and Casa of Spain (4.2 per cent). The German and UK part-ners back the new programme.

but Aérospatiale argues assem-bly at Hamburg would cut its 37.9 per cent stake. Airbuses have traditionally been assem-bled at Aerospatiale's plant in Toulouse. But Germany won its bid two years ago to locate at Hamburg all final assembly and internal fittings of the A321, a stretched derivative of the A320, due to be delivered to Germany final assembly of a second Airbus aircraft, would tie in with the Airbus supervi-sory board's decision to concentrate final assembly and final internal fittings to customer specification at one site, rather than split between Toul-ouse and Hamburg, as before. But Aérospatiale is understood to be opposing Hamburg assembly of the A319 and urging assembly in Toulouse, which already assembles the A300/A310 widebody airliners, the A300 and the arrangement assembles to the arrangement as a second as a sec

A340/A310 wideoody arrimers, the A320 and the new A330/A340 long-range widebody jets. The row risks delaying the launch of the \$300m (£171.4m) programme to build the 125-seater aircraft. Airbus was wanting a go-ahead from its supervisory board to start offering the new aircraft to airline customers at the end of next month. It has argued the A319 would complete its family of narrow-body airliners and help it compete more strongly against its US rivals Boeing and McDonnell Douglas which offer 125-seat-range aircraft. its first customers in 1994.

Assembly of the proposed new A319 at Hamburg, giving

Airbus has dropped the idea of building an even smaller A320 derivative with 100 seats.

US and Mexico unveil Nafta environment plan

By Damian Fraser in San Antonio, Texas

THE US and Mexico unveiled their long-awaited border environment plan yesterday, a key component of their strategy to persuade US Congressmen to support the proposed North American Free Trade Agree-

ment (Nafta). Mr William Reilly, head of the US environmental protection agency, presented the plan in Los Angeles, claiming: 'Never have two nations developed so extensive a plan to improve health and environment along their entire border". Mexico's environment minister made a simultaneous

California. Under the pact, Mexico will spend \$460m (£262.8m) over three years (\$147m in 1992) on water treatment and other public works, doubling the number of environmental inspectors, and toughening regulation of Mexican-based industries.

The US proposes spending in its 1993 budget \$179m on border environmental protection, of which \$170m is earmarked for waste-water treatment. But the fear that the border environment will deteriorate in the event of Mexican-US free trade minister made a simultaneous has become a focus of opposi-presentation in Tijuana, Baja tion to Nafta in Congress.

#### Donors set to agree on unused tied aid

By David Dodwell, World Trade Editor

AID donors are expected this week to agree on how to deal with the tied-aid overhang (unused credit lines) resulting from the recent ban on using tied credits for projects in bet-ter-off developing countries. Staff at the Organisation for Economic Co-operation and Development (OECD) say just four of its 24 members have so four of its 24 members have so far given details of the over-hang, but this should not pre-vent agreement on "transition rules" for dealing with it. They do not yet know how big

the overhang is, but have asked member governments to supply details of unused lines of tied aid by March 15.

Transition rules will vary according to the intention of according to the intention of the creditor government when bilateral credits were agreed. It is likely credits linked to specific projects will be given the go-ahead. Credits not assigned will "expire" if unused after an agreed time.

The OECD has striven to ban the use of aid for commercially viable projects, and for projects in wealthier develop-ing countries. On February 15, rules for such a ban came into force, with members able to limit abuse by vetting each

other's aid projects.

It is hoped the ban will let aid funds be channelled to development projects genu-inely unable to attract com-mercial funding, ensuring aid funds are additional to, rather than competing against, com-mercial loans for potentially profitable projects.

Controversy erupted two weeks before the ban came into force when Spain launched large lines of export credit to Mexico and Venezuela, countries that two weeks ago became ineligible for tied-aid funding. These credits were among the five biggest concessional credits the OECD ever recorded. They will be included in the over-hang, as will all other recent-ly-agreed credits. All will be subject to transitional

### Jakarta jockeys for a stronger trading voice

Reform has won Indonesia more credibility in world forums, Claire Bolderson writes

CONOMIC policy makers in Indonesia have developed an unnerving habit of listening in silence to advice from outside, then acting on it just as even the most friendly critics are starting to despair. Jakarta's successive trade reforms of recent years

trade reforms of recent years are a case in point.

The World Bank and Gatt last year praised Indonesia for its efforts to free up its trade system but urged it to go further. Jakarta obliged: more cuts in import tariffs were announced, including those on the heavily-regulated palm oil industry, where export curbs industry, where export curbs were lifted.

Indonesia has undertaken a

series of trade reforms since the mid-1980s when plunging oil prices forced it to realise it would have to diversify its economy to survive. Oil and gas exports could no longer be depended on as its mainstays; domestic export-oriented indus-tries would have to be encouraged, and cumbersome monop-olies dismantled.

Among the measures aimed at moving away from non-tariff barriers and at cutting and rationalising existing tariffs was the elimination in 1986 of import duties on components for re-export. The established

system of export licences was scrapped a year later, and, the next year, non-tariff barriers were replaced by tariffs on more than 300 import products. In 1990, tariffs were cut on nearly 2,500 items, including components for the heavilyregulated pharmaceutical industry. Export controls on commodities including coffee were abolished, and licensing

procedures for cattle breeding and fishing simplified. Last June, the government moved closer to its intention of shifting the tariff ceiling down to about 30 per cent, when it cut import tariffs on more than 500 products from beef to glass and steel. Non-teriff beginning. and steel. Non-tariff barriers on a quarter of the products protected by such barriers were replaced by some form of

direct tariff protection. "What they have done so far is brave," says Ms Mary Pan-gestu, an economist at the government-backed Centre for Strategic and International Studies. But like other analysts, she urges further steps, and more transparent planning reform. "The key is competitive domestic industry. That

must be the goal."
Perhaps bravest of all, Indonesia sacked its customs staff in 1985 and hired the Swiss firm voungest son the exclusive



Suharto: anomalies remain

Société Générale de Surveil-lance (SGS) as its agent for inspecting goods and ass duties on imports and exports. But some anomalies still remain, along with areas where vested interests appear to have held back the govern-

ment back. One of these was the 1990 decision to grant a consortium headed by President Subarto's

right to the international and domestic trade in cloves.
Reports reaching Jakarta indicate the setting-up of the monopoly has resulted in substantial disruption to trade in the 80,000 tonnes of cloves pro-duced annually in Indonesia. It has also led to a drop in income for farmers who were to be the main beneficiaries of the new system. The clove cigarette industry, one of Indones-ia's biggest employers and the consumer of nearly all its clove output, is paying at least three times more for its clove sup-

Policy on products from Indonesia's tropical forests has also been questioned. Export of raw logs and raw and semi-pro-cessed rattan has been banned; a prohibitive tax on exports of sawn logs was imposed in 1989. The measures have attracted criticism, but the government has dug in its beels. Mr Sudradjad Djiwandono, junior minister for trade, says the bans and taxes are intended mainly to encourage development of domestic industries.

The World Bank saw things differently. The rattan policy had "reduced incomes of farmers in several outer island provinces," while the sawn timber taxes had "driven a

number of small sawmills out of business."
A tendency to use sur-

charges in compensation for eliminating non-tariff barriers is widely considered to be inconsistent with Indonesian trade reform, as is the protec-tion afforded to parts of the motor vehicle industry and large areas of farm output.

Analysis say the allocation of quotas for the textile industry should be tidled up and the system made more transparent. Measures to help the developing economies of Indonesia's outer islands are also called for Local-level regulations such as those on the movement of cattle or copra between provinces are believed to hinder economic activity outside Java.

The Indonesian authorities acknowledge the system is not yet perfect. There are still many things that could be improved," says Mr Djiwan-dono, but adds that the direction is clear.

One of the effects of reform has been to give Indonesia more credibility in world trade forums such as Gatt, and a stronger voice in what Jakarta sees as the developing world's fight against the power of west-

### Tokyo plans industrial tariff cuts

By Robert Thomson in Tokyo

JAPAN will announce tariff cuts on a range of industrial items in imminent multilateral negotiations, but has apparently decided not to replace its rice import ban with a new tar-iff schedule.

The Japanese proposals, to be presented on March I in the Uruguay Round talks, provide for average industrial tariffs to be cut from 3.6 to 1.9 per cent, improving on its offer to reduce the level to 2.4 per cent. But the agriculture ministry insists a concession on rice imports is not needed, despite a Gatt directive that member nations submit by this week-end a list of tariffs to replace all bans and other import curbs on food items.

The foreign ministry said yesterday the tariffication of

rice imports was still being dis-cussed, but the government had tacitly agreed rice would be either left off the list or mentioned, though no tariff figure will be proposed. Japanese officials admit fresh political scandals have prompted the ruling Liberal Democratic Party (LDP) to keep the rice import ban. The popularity rating of Premier Klichi Miyazawa has dipped over the past for weeks and the LDP force. few weeks, and the LDP fears a concession on rice will quicken

Farm officials say the US and EC have yet to settle their differences over food trade, and Japan would be foolish to submit a tariff figure for rice at this stage. They suggest the longer Japan holds out against foreign pressure, the more the

banking whenever it suits you.

government can argue it defended farmers' interests. Mr Michio Watanabe, deputy prime minister and foreign minister, has suggested an initial rice tariff of 700 per cent would successfully limit the flow of rice imports, but the agriculture ministry argues Japan would compromise its negotiating position by submitting a figure on March 1.
As for industrial products,

Japan will propose tariffs be scrapped on about 1,000 items, including transportation machinery. But the government has yet to decide on rates for non-ferrous metals, for

### **EC-Poland free trade pact** hits car import snag

EC complaints that Poland plans to discriminate in favour of imports from certain Community car-makers are threat-ening to delay implementation next week of a EC-Poland free trade pact, Andrew Hill reports from Brussels.

Member states were supposed to approve the accord at yesterday's meeting of internal market ministers, but France raised objections to Poland's plan to divide its quota of dutyfree car imports between General Motors. Fiat and Volkswagen only. EC diplomats will discuss the problem in Brussels today.

Mr Martin Bangemann, EC industry and internal market commissioner, said the legal services of the Commission agreed the Polish action infringed non-discrimination clauses in the accord. A French official said Paris wanted to ensure the clauses were observed, not take reciprocal action against Polish car exports to the EC.

The agreement was signed last year, but at the end of last month, the Polish ministry of foreign economic relations said the quota of 30,000 passenger cars which could be imported free of duty from the EC would be split between Fiat, GM and Volkswagen as a reward for their promises of investment with Polish partners. But Mr Bangemann said member states were unanimous the move was discriminatory.

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### Change in anti-trust policy seen

THE US Justice Department is expected to institute a change in anti-trust enforcement pol-icy to allow action against Japanese and other foreign cartels which keep US companies out of overseas markets, Nancy Dunne reports from Washington.

Washington.
The US trade representative and State Department are

see the policy change accepted.
The US has long claimed jurisdiction over anti-competitive activity outside the US. The activity must have a direct impact on US commerce and the parties involved have

some presence in the US.
Mr John Cregan, president
of the Business and Industrial
Council, which urges a hard
line against Japan, said

US claims of extra-territorial jurisdiction are highly contro versial overseas, but recogni-tion has been growing that

Sir Leon Brittan, EC competition commissioner, has called for competition rules under Gatt.

giving priority to proposals for harmonising national antitrust procedures.

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wary about the policy, but Mr William Barr, US attorney-general, has said he expects to

Japan's car and car parts industries operating in the US should be prime candidates for

anti-trust rules ought to be adapted to the demands of the global economy.

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### Japanese ex-premier tells of Y10m gift

Demands for interest rate reduction

By Robert Thomson in Tokyo

THE government of Mr Kiichi Miyazawa was greatly embarrassed vesterday by the return parliamentary appearance of a former prime minister. Mr Zenko Suzuki, who told of his dealings with a bankrupt leisure club developer and admit-ted to receiving Y10m (\$78,100) from an indicted politician for services rendered.

For the Japanese public, the polite grilling of Mr Suzuki, 81, who retired as MP two years ago, highlighted the unsavoury, though not illegal, contacts cultivated by politicians seeking to fund networks of influence within the ruling Liberal Democratic party

Opposition parties had demanded that Mr Suzuki and another senior LDP member, Mr Jun Shiozaki. 76, appear to answer questions about their

By Stefan Wagstyl in Tokyo

THE Bank of Japan yesterday

faced renewed calls for a cut

in interest rates following pub-

agency said the economic slow

range of sectors. The agency's

**NEWS IN BRIEF** 

Hyundai chief blames

government for woes

THE founder of South Korea's Hyundai group, who has launched a party to challenge President Roh Tae-woo's government, blamed the government yesterday for the financial woes of the group's subsidiaries, Reuter reports from Seoul.

"Hyundai risks defaulting on bills due to the government's persistent credit control and tax investigation imposed on group subsidiaries." Mr Chung Ju-yung, 70, was quoted as saying by a spokesman for his National Unification Party.

Mr Chung initially refused to pay Won136 lbn (\$1815m) in

Mr Chung initially refused to pay Won136.1bn (\$181.5m) in penalty taxes but later changed his mind. Since then, domestic

banks have frozen fresh loans to the group, the tax office has launched a second tax investigation and the Securities Supervi-

sory Board has postponed approval on Hyundai units' rights issues for the sixth time, Hyundai officials said.

Daewoo, South Korea's fourth-largest business group, said yesterday it was suspending its plan for the first joint ventures with North Korea. Disappointed by the outcome of talks between the prime ministers of North and South last week, Seoul said any

economic exchanges would be banned until North Korea allowe inspection of nuclear facilities. In Washington yesterday, Mr

Robert Gates, director of the CIA, said that North Korea could

Indonesia yesterday banned from its waters a Portuguese ship

planning to sail to East Timor to mark an army massacre of

sailing to the East Timor capital Dili, where it is expected around

March 3. Those travelling on the ship intend to lay a wreath at the cemetery where Indonesian troops killed scores of mourners

last November. Indonesia annexed East Timor, a former Portu-

guese colony, in 1976 in a move which remains unrecognised by the United Nations.

An Opec official questioned the phenomenon of global warming yesterday and said a proposed EC carbon tax to combat it was a ploy to control world energy markets, Reuter reports from Cairo.

"We do not know whether global warming is a certainty or not."
Mr Mohammed al-Sahlawi, head of OPEC's news agency, told a

symposium of economists. "Is there really a man-made problem,

Brussels plans to introduce a tax of \$1 per barrel of oil in 1993 to fight global warming and curb demand for oil. The tax would

or is it part of a natural cycle?"

rise to \$10 a barrel by the year 2000.

agency. That's peace of mind.

Opec questions global warming

Daewoo halts N Korea project

have a nuclear weapon in as little as a few months.

Indonesia bans Portuguese ship

tion, a now bankrupt property and steel company, and links to Mr Fumio Abe, an LDP member recently indicted on charges of accepting Y90m in bribes from Kyowa.
The opposition had delayed

the passage of Japan's budget to force the LDP to produce Mr Suzuki. It was suggested that he could not appear because of ill-health, but a magazine picture of Mr Suzuki clearly enjoying a round of golf prompted the ruling party to insist that the elder statesman explain how he came to be honorary chairman of a nevercompleted Kyowa leisure club.

Mr Suzuki admitted that Mr Abe, on the announcement of his much cherished appointment to the cabinet in 1989. had given him a brown enve-lope, though the former leader said he was surprised to find

report echoed recent commen-

mists who have almost all

taries by private sector econo-

with an eye on an election to the Diet's (parliament's) upper house this summer, would like

his grateful associate. He suggested that he did not want the money, though he kept it "on behalf of" Mr Abe, returning the same amount to him in November of last year. Mr Shiozaki expressed simi-

lar surprise at receiving Y20m from Kyowa after he had intervened on the company's behalf to settle a dispute with Maru-beni, the famed trading house which had become entangled in a series of fictitious steel contracts concocted by Kyowa in an alleged attempt to defraud several other

"I did not know exactly why I received the Y20m, but I thought it was remuneration for my consultancy. I did not know about the steel fraud at that time. I did not think Kyowa was trying to bribe me," said Mr Shiozaki, who also asked Mr Abe to take the

money back late last year. A stern Mr Suzuki, who led the country from 1980 to 1982, repeatedly denied allegations that he had received another Y100m from Kyowa after he had agreed to become honorary chairman of its planned club. He also said that a widely

reported comment that "you can't question me, I'm a former prime minister" was wrongly attributed to him. And he explained that he attended a Kyowa factory opening, when he lauded the company, because "I wanted to visit my grandchildren" in the same

The Justice Ministry said yesterday that investigations into the Kyowa case had now concluded, and that no further charges would be laid. How-ever, the scandal has shaken Mr Miyazawa, as it has centred

capital goods. Yesterday Hitachi, the electrical com-bine, became the latest com-

much further than at present

before serious discussion could

start.

senior officials within his LDP faction. There has been no suggestion that Mr Miyazawa himself had received ill-gotten funds, but the scandal has undermined public confidence in his administration, which has so far been characterised by the surfacing of scandals.

Meanwhile, a Japanese court yesterday gave a suspended two and a half year sentence to Mr Fujio Tashiro, a former member of the opposition Komeito (Clean Government party), after finding him guilty of accepting a Y10m bribe from an association of gravel and stone shippers which sought to have government regulations changed in their favour in 1985. Mr Tashiro, 61, had denied that he abused his authority by seeking to amend the regulations, and said that he regarded the Y10m as a "political contribution".

### **Inquiry ends** on 'Keiretsu'

JAPAN's Fair Trade Commission (FTC) has concluded the country's six big-gest corporate groups are becoming less reliant on in-house dealings and their

Initiative (SII), designed to remove "structural" barriers.

The corporate groupings, or keiretsu, head a list of US concerns about access to the Japa-nese market; it is unlikely the FTC report will satisfy the US.

long-term UK aid

By Mark Nicholson, Middle East Correspondent

MR Massoud Barzani, leader of the Kurdish Democratic party. arrived in London yesterday saying he would ask Mr John Major. Britain's prime minister, to provide long-term development aid to enable Iraqi Kurds to become self-sufficient. He said he would also ask Britain to make a commitment to help protect the Kurds against further Iraqi aggression and to provide observers

for elections to be held in

northern Iraq in April. Mr Barzani, who is to hold talks with Mr Major this after-noon, said the combined effects of the United Nations embargo against Iraq and Baghdad's against Ital and bagatast sinternal blockade of the Kurds threatened to cause a "social explosion" in Iraqi Kurdistan. Although he said fighting in northern Iraq had calmed considerably in recent weeks, Mr Barzani said the embargoes had caused severe food and

fuel shortages.
The Kurdish leader is also hoping Britain, France and the US will extend its commitment to keep protective forces in Turkey, at present comprising 48 fighter aircraft based at Incirlik airbase, beyond the present mandate which runs until June. "As long as there is no political settlement on the ground, it is vital that there are forces there to give long-term protection to the Kurds," he said.

Mr Barzani said Kurdish groups were still seeking a negotiated agreement with Baghdad over Kurdish autonomy, although talks between Kurdish leaders and the regime of Mr Saddam Hussein, the Iraqi president, have been frozen for some months.

### fares by 20%

By David Housego in New Delhi

THE Indian government yesterday raised passenger rail fares by about 20 per cent in a move seen as a foretaste of the austerity budget expected later this week.

The sharp increase in fares reflects the pressure on the government to cut the budget deficit through reducing finan-cial support to public sector units.

The railways, the budget for which was presented to parlia-ment yesterday, is the largest of the government-owned enterprises. The increase, which follows

a 10-20 per cent increase in rail fares in July, means that the railways revenue from passen-ger traffic will rise by 33 per cent in 1992-93 over the original budget estimates for the current year. Mr C.K. Jaffer Sharief, the

railways minister, told parliament the cost of running uneconomic lines had risen

more than fivefold from Rs4bn (288m) in 1980-81 to Rs22.2bn

In an effort to generate further tinancial resources, Mr Sharief said that the railways would seek to lease or sell some of the land it owns in central cities beginning with

Bombay. The armed forces, the largest landowners in the country, are to follow a similar policy as a

way of raising funds. First class fares are to rise by 20 per cent and second class fares by about 17 per cent. Some season tickets will go up

by 40-48 per cent. Mr L.K. Advani, the leader of the Hindu radical BJP party which until recently supported the government's liberalisation and restructuring programme, said the rail nunister had "not just been harsh. He has been cruel. As far as I recall such a massive hike in railway fares and freight is unprecedented."

### Manila urged to curb security force killings

By Alexander Nicoli, Asia Editor

THE Philippine government should take urgent action to stop unlawful killings by its security forces, according to Amnesty International, the

human rights movement. In a report published today, it says that at least 550 unarmed people, including children and elderly people with no connection to the opposition, have been killed by government or government-backed forces since 1988.

Members of the army, police and officially-backed militia groups and civilian groups have carried out killings, as well as paramilitary and vigi-lante groups working in collusion with security forces or with their acquiescence.

In addition, hundreds of people have "disappeared" while in police or military custody.

Amnesty says.

Abuses of human rights reflect the strong influence of the military in Philippine politics even after the restoration of democracy under President Corazon Aquino in 1986. The military has been given considerable freedom to counter armed opposition groups.

Amnesty said the practice of "red-labelling" – publicly iden-tifying alleged opponents of the government as subversives particularly contributed to the killing.

The Philippines: the killing goes on. Amnesty International. Free.

### Stark choice for white voters

Patti Waldmeir on Domesday threats in S Africa's referendum

This is the question that over the next three weeks Mr Derek Christophers, a member

of parliament for the ruling National party, will put to thousands of his constituents n the conservative Johannes burg suburb of Germiston. He will lunch them, dine them, visit them at home, to plead for their support in South Africa's March 17 referendum. His message is simple: "Vote for us, or vote for war."

The referendum, the date for which was announced on Mon-day by President F W de Klerk, will face South Africa's whites with the biggest political choice they have ever been asked to make: whether to abandon their 350-year position of dominance in favour of sharing power with a black majority, or to fight for racial purity in a homeland which would become an international

"All the (opposition) Conservatives can offer people," says Mr Christophers, who helped plan the National party's campaign, "is a good past." His party's message that a "yes" vote would lead to a prosperous and secure future.

As could be expected, the wording of the question favours the ruling party and is designed to be vague enough to win approval from all but the most committed white supremacist: "Do you support continu-ation of the reform process which the State President began on 2nd February, 1990, and which is aimed at a new constitution through negotia-

February 2, 1990, was the date on which Mr de Klerk legalised black political opposi-tion.

On the other hand, the proffered consequences of a "no" vote are designed to concen-trate the mind: Mr de Klerk would resign and call a general election, which the Conservatives would win on a pro-apartheid ticket.
Black liberation groups

would resume violent struggle, and international sanctions would be applied with a vengeance. Skilled whites would emigrate, international lending would stop, and South Africa's future would be bleaker than

Mr de Klerk is clearly hoping that the NP. liberals and everyone to the left of the most hard-line racist will turn out to avoid that outcome.

But he knows that his support is based more on fear of the alternative than positive approval of his policies, which are too vague to inspire much confidence.

RE YOU going to vote for a good future, or a good past?

RE YOU going to vote blank cheque to negotiate a power-sharing constitution. which amounts to black rule without black domination. While few whites - even in the ruling party - really believe he can achieve that, but the campaign could turn on Mr de Klerk's powers of perdefend his policies in detail for

preventing domination. On the other hand, many whites will not want to pass up their last chance to keep blacks out of power, knowing they will be given no further opportunity to stop the reform process. If Mr de Kierk wins, he will implement a new constitution without seeking ratifi-

But the "no" vote will be diluted by divisions on the right: the ultra-right Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement) has called for a boycott, and other radical groups could follow

Moreover, at the national level, every mass circulation daily in the country will push for a "yes" vote.

And though the state-con-trolled South African Broad-casting Corporation will probably guarantee equal air time for opponents and proponents, its political bias is likely to show through as clearly now as in the past: the SABC sup-ports the ruling party.

he Conservatives have a formidable political machine at local level, and are, according to Mr Christophers, "all prepared to die for their party." Yet, when the Conservatives launched their was far from scintillating.

#### lication of a government report acknowledging a furpany to warn that profits for the year to the end of March would fall well short of previtaken a more pessimistic view than the government. ister for international trade For the current financial year, ending next month, econand industry, yesterday called for a cut in the official disther deterioration in the state of the economy. extensive cross-shareholdings ous forecasts do not lead to exclusionary The government's Economic omists expect a growth rate of count rate to follow the last Some politicians and busibusiness practices. Robert Planning Agency dropped the word "expansion" from its about 3.5 per cent against the government forecast of about reduction in December when the ODR was reduced to 4.5 nessmen would also welcome extra public spending to boost Thomson reports from Tokyo. The findings will be presented in Washington today to a monthly report to the cabinet 3.7 per cent. е есорошу. The central bank's position is that it is still examining the However, in the face of opposition from the powerful For next year, private sector follow-up meeting for the US-Japan Structural Impediments for the first time since the economic upturn in early 1987. predictions mostly range 2.5 Instead of saying that the per cent to 3 per cent against a effects of the last reduction Ministry of Finance to any economy was "expanding at a slower pace" - the favourite government target of 3.5 per and of two previous cuts. However, pressure for furincreases in public spending, the state of the country's econther reductions grows almost daily, not least from industriphrase of recent months - the Ruling party politicians, omy would have to deteriorate

alists anxious about weaken-

ing demand, particularly for

to see measures to stimulate growth, including further cuts

Mr Kozo Watanabe, the min-

in interest rates.



Tourists make their way along the outer wall of Jerusalem's Old City past snow-covered palm trees as winter storms hit the region

#### civilians, Reuter reports from Timor. The foreign ministry said the planned visit by the Lusitania Expresso, which left Lisbon last month, was politically motivated Israeli loans guarantee to aggravate tension in East Timor and incite disturbances. The vessel is due to call at Darwin in north Australia before

### **US** aid budget comes under scrutiny

By George Graham in Washington

THE fate of the US foreign ald budget has become inextrica-bly tied up with that of Israel's request for \$10bn (£5.7bn) of loan guarantees to help it absorb around 1m new immigrants from the former Soviet

Union. Authorisation for US foreign aid is due to expire at the end of March, but Senator Patrick Leahy, who chairs the Senate sub-committee overseeing foreign aid funding, says he will not put forward a new aid bill unless an agreement could be reached that ties the Israeli loan guarantees to some sort of freeze on Israeli settlements in the Arab territories it occupied

in the 1967 war. "If we do not have a solution to the guarantees and settlements issue, then we don't have a bill - it's as simple as that," he said yesterday. When it has fallen out with

the US administration in the past, Israel has often been able to call on support in the Congress to make its views prevail. Today, locked in an apparently The US administration has told Congress that it wants to sell F-15 fighters built by McDonnell Douglas to Saudi Arabia, writes George Graham.

The 72 F-15s, worth an estimated \$5bn, are understood to feature on a classified list of possible arms sales the administration is obliged to give Congress each year. McDonnell Douglas has argued vigorously for the sales, contending that if the US refuses to allow Saudi Arabia to buy F-15s, it will instead turn to European-built Tornadoes and possibly also join the European Fighter Aircraft development programme.

uphill struggle.
Mr James Baker, US secretary of state, told Congress on Monday he would accept \$2bn a year of loan guarantees for the five years only if Israel halted settlement activity, or agreed to deduct from the guarantees the amount if spent in the occupied territories. Even Israel's strongest sup-

override a presidential veto.

"It's given that any sort of

guarantee arrangement, in

porters, meanwhile, are not eager to force the issue. They believe they would probably lose a straight majority vote, and would certainly be unable to muster enough support to

administration, it faces an order to be sellable here, would have to be tied to pretty substantive restrictions on settle ments," said one congressional aide yesterday. The debate is taking place at

a time when there is little enthusiasm either among congressmen or in the US at large for foreign aid in general.
At the same time, Israel's position in the US public opinion has weakened in recent years. The Palestinian uprising and Israell tactics against it have contributed substantially

A central factor, however. been President George Bush's public stand against Israel, particularly in the Sep-

he called for a four month delay on the loan guarantees and depicted himself as standing alone against hordes of Israeli lobbvists. Mr Bush said yesterday that his administration's policy

tember press conference when

might be risky for his re-elec-tion campaign this year, but that he would not shift the foreign policy of this country because of political expedi-In purely electoral terms, however, he and the Republi-can party have little to lose, since the Democrats habitually

win over 70 per cent of Jewish Many members of Congress have concluded, moreover, that they can afford to oppose the

loan guarantees. If no foreign aid bill goes for-ward, congressional lobbyists say there would be little chance of attaching the loan guarantees to the continuing resolution, simply carrying for-ward past authorisations, that

would probably be used to

### Israel worries about future US pressure

By Judy Maltz in Jerusalem

MR Benjamin Netanyahu, Israel's deputy prime minister. said yesterday Israel would reject a US ultimatum linking the provision of \$10bn (£5.7bn) in loan guarantees to a halt on Jewish settlements in the occupied territories.

He warned that if the Jewish state accepted this ultimatum. it would find itself under pressure to succumb to further American demands in the

\*Any government – I hope a responsible government, and

Israel is one – will draw a line and say no. Don't pile on pressure when it comes to human consideration. We will stand and we will not adopt this draconian choice between land and people," Mr Netanyahu told reporters in the first official reaction to the ultimatum to come out of prime minister Yitzhak Shamir's office. Mr Shamir himself remained

silent. Ever since it became clear Washington would issue the ultimatum, some Israeli politicians have said the US may be using the loan guarantees in order to bring down Mr Sha-mir's hard-line government. It is widely believed the

Americans would prefer the more dovish Labour party, which favours a significant slowdown if not a complete halt to settlement activities, to emerge victorious in the June

Explaining why Israel could not accept the US conditions, Mr Netanyahu said: "What do we have next? Pressure on

relinquishing East Jerusalem? Pressure on absorbing or receiving in Israel millions of Arab refugees? Mr Yitzhak Moda'i, the

finance minister, has let it be known that his ministry is formulating contingency plans for raising money to absorb Soviet Jews, should the loan guaran-tee request be rejected. Ministry officials say these plans include a rapid acceleration of the country's privatisation programme and an appeal for aid from world Jewry.

He is, in effect, asking for a

campaign yesterday with a live radio broadcast from leader Andries Treurnicht, the effect The lacklustre Mr Treurnicht referred several times to the possibility of defeat - he and other top party leaders are understood to have preferred a boycott, but their caucus insisted on a fight and with his subdued delivery and outdated rhetoric he did little to inspire the troops. Indeed, the urbane and modern Mr de Klerk would win a straight personality contest hands-down. But the question facing South Africa's 3m white voters is more elemental than that: Afrikaners feel their language. their culture, their history are at risk; other whites fear economic penury. Mr de Klerk's performance may be more impressive, but Mr Treurnicht's message that whites can only survive in a separate homeland loosely federated to neighbouring black states - strikes a powerful chord.

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#### **AMERICAN NEWS**

### **Brazil suffers** setback in Paris Club debt talks

By Christina Lamb in Rio de Janeiro

BRAZIL's initial proposal for the rescheduling of its \$21bn-\$22bn debt with the Paris Club group of creditor governments has been rejected in the first day of negotiations in Paris. However, Brazilian economy ministry officials yesterday remained confident agreement

would be reached this week. The Brazilian negotiating team, led by Mr Francisco Gros, the central bank goverfros, the central bank gover-nor, was working on a new proposal yesterday after Ger-man and Japanese representa-tives had refused to accept Bra-

zil's original offer.

The main sticking point is Brazil's insistence on including in the rescheduling, debt that was rescheduled in the last accord in 1988. Mr Gros said on Friday that this accord had created an excessive concentra-tion of repayments over the

next two years.

Brazil's original proposal asked for the rescheduling of \$13.5bn over 18 years. This includes \$8.6bn in arrears and \$4.9bn in payments due over the next two years as a result of the 1988 accord. Only in exceptional circumstances does the Paris Club agree to res-chedule already rescheduled

debt and Brazil's non-payment of interest for the last three years has not endeared it to official creditors.

They complain that they have been receiving worse treatment than the commercial banks to which Brazil started paying 30 per cent of due interest last year.

According to Brazilian economy ministry officials, the Germans and Japanese are insisting that Brazil respect the 1988 accord. The Brazilian team pointed out that it has not asked for a reduction of the principal and maintains that it does not have the capacity to pay under the previous terms. However, creditors believe that Brazilian reserves are now at their highest levels since the start of the debt crisis.

Despite these differences the negotiations are said to be taking place in a favourable cli-mate and Brazil has received unexpected support from the presence of Mr Enrique Iglesias, head of the Inter-American Development Bank who has flown to Paris specially to make a personal presentation backing the government's new stabilisation programme.



Aristide deal

sparks protest

A WEEKEND accord aimed at

the eventual return of Haiti's

ousted President Jean-Ber-trand Aristide has angered

right-wingers, touching off a demonstration by more than 200 of his foes outside the Leg-

The deal, struck in Washington by Mr Aristide and some

leading Haitlan lawmakers,

appeared in danger of unrav-elling yesterday, with Mr Aris-tide saying further talks were

necessary on the fate of the army chief who overthrew

Mr Aristide and prime min-ister-designate Rene Theodore

were also apparently unable to

come to terms on the ground rules for power-sharing.

islative Palace (above).

### El Salvador clinches aid from EC

By Patrick Blum in Lisbon

THE European Community will step up economic and political co-operation with Central America to promote development and human rights, following a meeting of EC and Central American foreign min-isters which ended in Lisbon

yesterday. Several programmes of eco-nomic and technical assistance were agreed, including Ecul3.8m (£9.78m) to help improve telecommunications in the six Central American countries, and a separate Ecu7m for El Salvador to support small enterprises and projects in areas most affected by the 12-year civil war.

Assistance to support national reconstruction in El asked Congress to approve the

Salvador was also discussed yesterday in a separate meeting called by Portugal, the current EC president, with representatives from the Community the US, Canada, Japan, other donor countries. and the International Mone-

tary Fund and World Bank. El Salvador's government says it needs around \$1bn to rebuild the economy following the civil war. The EC has already promised up to

In Washington yesterday, President Alfredo Cristiani of El Salvador said he expected the US to provide around \$250m in reconstruction aid. The Bush administration has

aid and has promised to give its full support to moves to help rebuild El Salvador's economy. Mr Cristiani said.

The announcement came as a surprise to EC officials who reacted with some irritation. It's another example of the US jumping on an initiative with-out telling anyone else and claiming leadership," said one

diplomat in Lisbon. Support for human rights and democracy were dominant concerns among EC ministers who also agreed to an Ecul.5m programme for the promotion of human rights in the region. This will help to provide better training for police and armed forces, and support human rights initiatives.

### ers of bilateral and multilateral sanction.

Drugs summit rebuff for the US By Sally Bowen in Lima

US proposals to allow cross-border pursuit of drug traffickers in Latin America have been dropped from the draft declaration for the sevennation drugs summit convening today in San Antonio,

Unless revived at the two-day summit, the dropping of the US proposals represents a victory for the three Andean countries which produce the overwhelming majority of the world's coca, the leaf from which cocaine is derived. Peru, Bolivia and Colombia saw the proposals as potential US

threats to their sovereignty.

US-drafted "talking points"
used as the basis for pre-San
Antonio negotiations earlier this month in Quito, had pressed for formation of a "regional conference and action group" with wide pow-

Common jurisdiction over

sea and airspace would, under the proposal, have allowed air-craft or warships of one member country to enter another's territory in pursuit of drugs traffickers. The Andean Com-mission of Jurists said that these rights "would in fact be exercised by that member with the means and desire to exe-cute them" - in other words.

All such controversial pro-posals have been eliminated from the joint statement, which merely calls for "mutual co-operation... with full respect for the sovereignty and territorial integrity of our

the US.

In addition to the US and the three Andean coca producers who met at the last drugs sum-

mit in Cartagena two years ago, the presidents of Mexico and Ecuador will attend. The Venezuelan president, Mr Carlos Andrés Pérez, was also due to attend, although is reported to have changed his reported to have changed his ans after this month's coup

attempt. The draft declaration "vigor-ously" reaffirms the Cartagena declaration of two years ago. It claims advances - some of which are disputed elsewhere

- in reducing production of and demand for coca and areas under cultivation, in creating alternative development pro grammes and in dismantling transnational drugs trafficking organisations and financial networks.

The declaration, however, admits that the Cartagena objectives on coca crop substi-tution "have not been alto-

gether fulfilled". It expresses hopes that an "important new initiative" for training, technical assistance in marketing and animal and plant health will improve matters.

The Andean countries call for, and the US takes note of, the need for an "Alternative Development Facility" under the umbrella of an international financial institution. This would provide short-term financing until alternative development plans mature.

The heads of state call upon the countries of Europe and Asia, expanding markets for cocaine, to co-operate in the fight against drugs. But suc-cess in the fight is principally depicted economically, as dependent upon "strong econo-mies and innovative economic initiatives".

### Caterpillar digs in for bruising fight

THE three-month labour with the UAW's auto company dispute between Caterpillar, contracts, includes a 3 per cent dispute between Caterpillar, the world's largest maker of earth-moving equipment, and the powerful United Auto Workers union is becoming more and more bruising.

After last week's failure to restart negotiations, the company and the union have dug in for a protracted battle which observers believe will produce no real winners. Bets are that the dispute could rival the seven-month strike of 1982-1983, the longest in UAW history.

The union, which in early November sent out on strike only 2,400 workers, last week sent out a further 8,400, bringing the total to two-thirds of its members at Caterpillar. This included the 5,650 workers whom the company had locked out as a retaliatory step in November but had recalled

nine days ago.

The union is determined to win a pattern contract agree-ment from Caterpillar compa-rable with the one that it agreed last year with Deere & Co, another heavy equipment manufacturer. Pattern agreements, which are designed to establish contract patterns throughout an industry, are the heart and soul of the UAW's strength, particularly in relation to the big US car

The three-year Deere agreement, which is broadly in line general wage increase in the first year, 3 per cent lump sum bonuses in the second and third years, and job security and benefits provisions wanted

by the union. Caterpillar, based in Peoria, Illinois, says it must have an agreement that will allow it to

whatever it takes to keep cus-tomers from buying competi-tors' products," and specula-tion has grown that, if a settlement is not reached soon, the company may try to employ non-union replacement workers. This has been fuelled by Caterpillar's recent engagement of Vance International. the private security firm known for its tough tactics in continue to be internationally

The auto workers union may force a concession on pay, but at the expense of jobs later, writes Barbara Durr

competitive. Last year, sales outside the US accounted for \$5.8bn, or 59 per cent, of the company's \$9.84bn total. It says a pattern agreement would undercut its long-term viabil-

The company, which lost \$404m in 1991, claims that the strike did not have a significant effect on last year's results but says the dispute is "seriously clouding the outlook" for this year. A firstquarter loss is now expected. and, as the spring construction season arrives, the company may face difficulties in meeting orders despite having built

up several months of inventory before the strike. The company vows "to do several other labour disputes in recent years involving companies' attempts to break their unions.

Caterpillar says that it hired Vance after receiving threats, and that it had to take "steps to protect its people and property". Security analysts take a dim view of the possibility of the hiring of replacement workers.

"If they do that, you'll have a war in Peoria," said Mr Tobias Levkovich, a security analyst with Smith Barney Upham. Labour experts say Caterpillar management is more likely eventually to concede a pattern agreement and then quietly

move as many jobs as possible, either overseas or to non-union

US plants, giving the UAW a Pyrrhic victory. The union, however, cannot

afford to flinch: if a Caterpillar precedent is set that breaks the tradition of pattern agree-ments, it could face a demand from the car makers to re-open negotiations and thereby risk having its power undermined.

Moreover, this is a delicate time for the UAW leadership, which faces re-election in June at the union's triennial convention. It will not want to serve up to its members a deleat in Peoria and bleak prospects in the nation's car-making capital of Detroit. In an attempt to demonstrate union might and solidarity, the UAW leadership has called on its own members and those of other unions to march in Peoria on March 22. The UAW will be hoping that the march will not prove to be

its last big stand.

The Caterpillar-UAW dispute is spilling over ominously into the economy of Illinois, where the company has its largest operations. The length of the strike will be a significant element in determining when the state can emerge from recession, according to Ms Diane Swonk, First Chicago's economist for the Midwest region. She calculates that as many as 7,000 of the 17,000 manufacturing jobs lost in the state last year were related to



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### Generator pulls out of big coal import terminal

PLANS for Britain's largest coal import terminal have been abandoned after a row between Associated British Ports (ABP) and PowerGen, one of the two electricity generators involved in the £150m project.

The terminal was to have been built on the north east coast of England at Immingham and contracts for its construction were close to being awarded. The terminal, due to open in 1994, posed a serious threat to British Coal as it would have allowed the generators to replace 10m tonnes a year of the 65m tonnes of coal they buy from it

with imports.

ABP, which was managing the project, yesterday blamed the cancellation on the rafusal of one generator to agree to sign final contracts this week. It did not name the generator, but it is understood to be PowerGen. The other generator involved in the project is

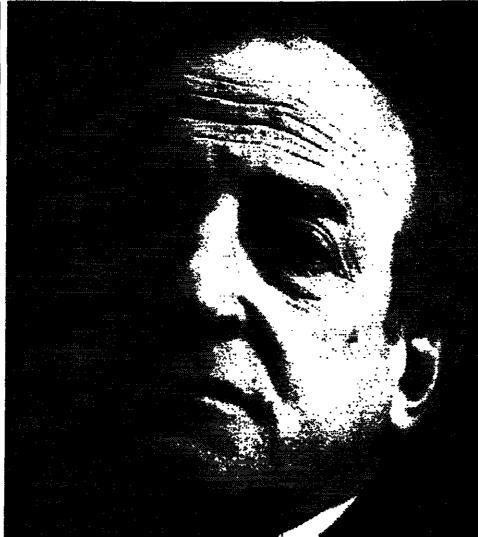
"We finally decided that enough was enough," said Sir Keith Stuart, the company's chairman. ABP had had parliamentary permission to develop the site since June 1990 and was still waiting to go ahead. "We have lost valuable time,"

that PowerGen had asked ABP to delay the final signing of the project until after the general election. "The Labour party had a go at them and said they would let the terminal rot if they got in," a senior coal industry executive said.
"PowerGen is not a big partner in the project, and they were prepared to hold off till after the election, but ABP forced the pace."
PowerGen acknowledged it

had not welcomed the political attention focused on the project. But the company stressed it had not agreed when the final signature would take place. "Our negotiations on this deal were ongoing and we believe the action ABP has taken is precipitous," it said. PowerGen denied it lacked

commitment to the terminal project, which it had itself initiated, and it said ABP's decision had come as a total sur-prise. National Power said ABP's decision was "not in accordance with the company's wishes." Both generators said they would look at alternative import terminal projects.

"We've been urging the generators and anyone else pre-pared to listen to take note of the rapidly increasing competi-tiveness of British Coal," Brit-It was claimed yesterday ish Coal commented yesterday.



Lord Justice Taylor, pictured above, was yesterday named as successor to Lord Lane, the controversial Lord Chief Justice – England's senior judge. He set out immediately to restore confidence in the criminal legal system which has been undermined by public anxiety over recent cases of miscarriage of justice. He added that juries were likely to continue making large awards against newspapers until the Press Complaints Commisssion was given greater powers.

### Dispute defused at Lloyd's

By Richard Lapper and David Owen

A DISPUTE over the appointment of Sir David Walker, chairman of the Securities and Investment Board, to head an inquiry into alleged malpractices at the Lloyd's insurance market, was defused yesterday at a meeting between Tory MPs and leading

members of the market.

Mr Alfred Doll-Steinberg.

chairman of an action group of Names - the individuals whose wealth backs underwriting - said he was now convinced of the independence of Sir David, who also attended yesterday's meeting Earlier in the week some Names had questioned the appointment of

Sir David, who is also a mem-ber of the Lloyd's council, the market's governing body.

Mr Doll-Steinberg, represent-ing Names on catastrophe reinsurance syndicates formerly managed by the Gooda Walker agency, said he was impressed with Sir David's forthrightness. "We had some reserva-tions at the beginning, but having heard him and met him, have been unconditionally withdrawn."

Together with a delegation of four Conservative MPs, including Sir William Clark, chairman of the Conservative backbench finance committee.

and three other Names' leaders, Mr Doll-Steinberg met Sir David and leaders of the Lloyd's market, including Mr David Coleridge, chairman,

Sir William described the meeting as "very successful." He had received "categorical assurances" that Sir David's terms of reference would be very wide, he said.

Names on Gooda Walker, which managed a number of syndicates that have suffered devastating losses in 1989 and 1990, are among those seeking injunctions to prevent Lloyd's drawing down from the Names' funds to meet cash calls.

### **Employment department** plans to axe 800 posts

By Lisa Wood, Labour Staff

THE government department trying to get more people into employment is to axe about 800 posts, it was announced yester-

day.

Five hundred of the jobs will be shed in the Department of Employment's nine regional offices, which administer the new Training and Enterprise Councils (Tecs) and about 300 will go at the central director-ate in Sheffield.

Mr Michael Howard, the employment secretary said yes-terday there was "every likeli-hood" the cutbacks would be achieved through voluntary

The CPSA union, which along with the NUCPS represents the majority of government officials, said it was appalled at the job cuts. "They are particularly bad coming at a time of extremely high unem-

ployment," said an official. The department is one of the government's biggest with 57,000 employees. Mr Tony Blair, Labour's employment spokesman said yesterday he had written to Mr Howard demanding assurances that the cuts would not affect training

#### **BRITAIN IN** BRIEF



### Bureaux de Change rules overhauled

The Department of Trade and Industry has announced mea-sures to tighten controls on Bureaux de Change. Mr Edward Leigh, consumer

affairs minister at the DTI. said that in future full information on commission rates must be given the same prominence as the exchange rates themselves.

Advertised exchange rates must now give full details on the terms on which transactions are made - if operators buy and sell currency at different rates, or offer different rates for travellers' cheques, these much be shown.

#### Major to meet Irish leader

Mr Albert Reynolds has his first meeting as Irish prime minister with Mr John Major today amid only faintly opti-mistic signs that Northern Ireland's political leaders are edging towards re-starting "round-table" negotiations.

Both prime ministers are anxious to promote a dialogue between the two governments in order to avoid creating a lull in political activity which would encourage terrorists.

#### ITC defeats legal challenge

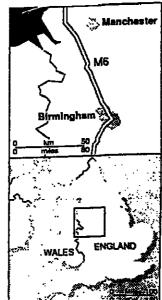
The Independent Television Commission (ITC) has successfully beat off an appeal to the House of Lords, Britain's most senior court, over the distribution of new television broad-

casting licences.
Television South West had gone to the Law Lords to try to overturn an Appeal Court deci-sion that the ITC had not been unfair in rejecting its £16.11m

bid. The decision of the Law Lords effectively ends the prospect that the ITC's decisions will be legally challenged by other aggrieved los-

#### Private road abandoned

The government has abandoned plans to build a pri-vately financed toll motorway between Manchester and Birmingham. Instead it proposes to widen the existing M6 motorway from a three land to a four lane dual carriageway.



The transport department estimated that widening the motorway by an extra lane between Birmingham and Manchester would cost £450m.

#### Policy move on environment

Mr John Major, the prime minister, will today try to recon-cile differences in the government over the pace of Britain's efforts to cut emissions of greenhouse gases and reduce the risk of global warming.

The matter will be discussed by a cabinet committee set up to monitor progress on the commitments made in the 1990 environment policy document.
The intention is to agree a policy to present to next week's meeting in New York of the preparatory meeting to pre-pare the way for the Earth Summit in Rio de Janeiro in June. It is hoped to agree an international convention on global warming at Rio.

#### Ford union threatens action

Union leaders at Ford UK yesterday promised a major reac-tion" if the company goes ahead with a plan to slim down two research and development centres in Essex and concen-trate R&D work in Germany. A document, leaked to the

Amaigamated Engineering Union, talks of shrinking Dunton, Ford's biggest R&D centre in Europe, and Aveley, as an "option" which "does not represent company policy".

If the plan did go ahead it would mean transferring to Germany about 1200 of the 4,000 jobs at the two centres.

#### Share scheme collapses

A proposed joint venture between UK banks to handle some aspects of share registra-tion appeared to have col-lapsed as two leading clearers rejected the idea.

A bank that promoted the idea, National Westminster, claims it would lead to lower costs for listed companies and make share ownership simpler for private individuals.

But Lloyds and Barclays, which together control about 50 per cent of the registration market, have rejected the idea.

#### Dealer misused clients' funds

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Professor Or

Mr Patrick De

Mr Hugh A Ca

Or Hakam Mo

Mr James N

Dr Armin M K

Dr Henry A N

Dr Andrew H

Professor TN

An authorised securities dealer misused clients' funds to prop up his business while pretend-ing to carry out their instruc-tions and issuing them with false contracts notes, according to evidence heard at Southwark Crown Court in London.

Mr Andrew Kimmins pleaded guilty to two charges of fraudulent trading. The charges say that between November 1986 and December 1988 he was knowingly party to continued business activities at Blade Securities and Blade Investments, both of Brompton Road, London, with intent to defraud creditors. He will be sentenced later.

#### Beer goes flat..

Beer production in the UK fell by 3.6 per cent last year to 37.18m barrels - the worst annual decrease since 1981, according to Britain's Brewers' Society.



VISA MAKES THE WORLD GO ROUND





### \*BAe agrees deal with European helicopter group

By Paul Betts, Aerospace Correspondent, in Singapore BRITISH Aerospace (BAe), the UK defence equipment and aircraft manufacturer, has reached an agreement to link up with the Franco-German Eurocopter consortium to bid for the Minister of Defences.

The Timer would be remnet. Eurocopter consortium to bid for the Ministry of Defence's £700m contract for about 100

ord union

Dealer missig

chemis funds

new attack helicopters.

The agreement will pit BAe and the Franco-German group against a rival partnership between Westland, the UK helibetween Westland, the UK heli-copter manufacturer, and McDonnell Douglas of the US. It could also help BAe expand its interests in the heli-copter business in which it has had a limited presence. Eurocopter is the world's second largest helicopter man-ufacturer after Sikorsky of the US and was formed at the

uracturer after Sikorsky of the US and was formed at the beginning of this year when Aerospatiale of France merged its helicopter activities with Deutsche Aerospace.

Mr Jean François Bigay, the Eurocopter chairman, yesterday said the agreement with BAe would study how the two companies could put together.

companies could put together a joint bid using Eurocopter's Tiger helicopter to win the MoD's order for 100 aircraft. The Tiger, ordered already

By David Barchard

IN spite of the upheavals in the

financial services sector in the

past few years, there is no pos-

sibility of returning to the situation before financial markets

were deregulated, Mr Brian

Quinn, executive director of the Bank of England, said yes-

Times conference on Interna-

tional Banking in London, Mr Quinn defended the deregula-

tion of financial services mar-

kets in the 1980s saying they

had made a much wider range

Mr Quinn did, however,

warn about the growing costs

of maintaining an orderly

of choice.

Speaking at a Financial

and Turbomeca of France.

The Tiger would be competing against the McDonnellDouglas Apache helicopter which would be produced in co-operation with Westland to meet UK requirements.

The MoD is expected to seek official bids for its attack helicopter requirement by the wide copter requirement by the mid-dle of next year with a final decision on its choice some-

tectsion on its choice some-time late in 1993 or in 1994.
Eurcopter had tried to join forces with Westland, but the UK company decided instead to team up with McDonnell Doug-las. Eurocopter turned to BAe as it needed a UK partner to help its chances of winning an MoD contract. MoD contract.

BAe, in partnership with the UK General Electric Company (GEC), last year bid unsuccess-fully for the contract to be prime contractor for the Royal Navy's EH101 Merlin anti-submarine helicopters. The contract went to a partnership between IBM and Westland. Japanese talks, Page 14

Mr Quinn revealed that the Bank of England and other

banking supervisors in the

Basle Committee were examining the criteria for bank

authorisation and communica-

tion in the light of recent developments, including the

possibility of requiring bank-

ing groups with complex struc-tures to have greater transpar-

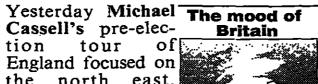
But in reply to a question about Bank of Credit and Com-

merce, Mr Quinn said he felt it

was important not to overreact to the BCCI episode. "BCCI

was a unique organisation in

ency in their operations.



the north east. Today he visits the birthplace of Thatcherism and

gauges whether 13 years of Tory rule have primed the electorate to vote for John Major's brand of conservatism or opt for the new-look opposition Labour Party. All the signs point to an early general election, perhaps on April 9, and an undecided electorate.

### Voters haunted by enduring Thatcher legacy

room for £19 a night: "Some are delighted but others might be horrified at the prospect. You have to play it carefully",

he stresses.

Neshitt owns the corner property at the junction of North Parade and Broad Street in Grantham, central England, home for Margaret Hilda Roberts during the first, formative years of her life.

He runs the Premier restaurant from the former grocery shop and offers bed and breakfast above.
"The Thatcher connection,

like the woman herself I suppose, has been a bit of a mixed blessing. As far as I am concerned, a Tory £5 note is as good as a Labour £5 note but some people certainly stayed away because of her. We've been busier since she lost the

The business community as a whole might share Nesbitt's mixed feelings after a period in which entrepreneurialism was given its head, only to be reined back by all the old, Even so, with 50,000 businesses failing last year - the

P AUL NESBITT doesn't shout about it but he can arrange for people to sleep in Mrs Thatcher's bed-mantle of the party of business; their corporate support-ers may feel badly let down but many will still find it hard to endorse a Labour party bloated on City of London lunches in its search for acceptability.

The chatty proprietor of the Premier is not particularly impressed with the Conservative record as the party of small business: "They are meant to be on our side but they have taken decisions which hardly suggest they understand the pressures we

Paul Hodgkinson, a Lincolnshire businessman on a grander scale, is much more complimentary. His private property and construction group - chosen by the Duke and Duchess of York to build their royal ranch-house in Windsor Great Park - has grown by more than ten times as many years.

But he continues to resist the temptation to float Simons Group, his £120m turnover business: "Too many middlesized companies were lured during the 1980s into getting a "get-rich-quick" quote and have been forced to doff their



short-termism."
Such businesses, he suggests, provide the bedrock of economic success in countries like Japan and Germany but too many in Britain were swallowed up during a period of free market euphoria". But as he looks from his win-

dow towards Lincoln cathedral, a medieval monument to an earlier age of enterprise and wealth, he praises 1980s prog-ress in "freeing up the entire thought process which permits business to succeed. "We were a risk-averse

nation but a new generation has been taught to go for it. Companies will always go bust in a capitalist system but there should be no stigma attached to it; people should be encouraged to pick themselves up and start all over again."

Te suggests that, even now, insufficient num-bers of people underthe principal plank upon which everything else depends.

In the windswept hamlet of Wasps' Nest, to the north of Grantham, Mrs Cathy Ward, a former primary school teacher who now runs adult education classes, says opting out for schools is "just another exam-

cap to their share price and to short-termism." ple of the two-tier approach to the provision of essential public services".

The change, she says, may well hand greater discretion over spending to good, middle-class schools but the real issue is the level of resources itself.
"It's fashionable to say you can't solve problems by throw ing money at them. It would be nice, just once, to give it a try. Let's have less talk about a revolution in education and more textbooks in the class-

All around tiny pockets of habitation like Sotts Hole and Stixwould, another revolution

is under way.

Striking east across Nocton
Fen towards the "calm and
deep peace" of the poet Tennyson's Lincolnshire Wolds, or south-east over ancient marsh-lands which once hid king Hereward the Wake, lie some of Britain's richest soils.

Forty well-farmed acres in such parts would once provide a good living for a hard-working family. Not, it seems, any more, with real incomes here and throughout the farming community now judged to have fallen to their lowest level in the whole post-war period.
In one of the most efficient and fertile agricultural areas in Europe, the whole notion of family farming appears to be under threat. Old dynasties have been replaced by remote. institutional owners employing extensive farming methods across expanding, agricultural

Richard Willoughby, who farms more than 400 acres near Alford, under the gentle slopes from "bracing" Skegness on the coast, is not an institutional squire. He knows all the jokes about Volvo-driving farmers pleading poverty but says there is real cause for

With his brother, he bough his farm in the mid-80s but says he would have been better off remaining as a tenant, given production surpluses, falling crop prices and escalating interest rates.

The farm, he accepts, is looking a bit run down and he cannot replace machinery; some of his neighbours are packing it in. "There are more rules and regulations every year and now farmers are encouraged to let good, produc-tive acreage lie idle. Its madness. I won't be encouraging my two sons to follow me into

Nigel Lindsay, director of the

Community Council of Lincolnshire, a voluntarily-funded organisation which aims to keep alive community life, says some farmers are pinning hopes of financial salvation on building houses or golf

illage life, he believes, is increasingly under strain, with jobs on the land disappearing and retiring newcomers dislodging the locals: "Public transport has suffered badly in the wake of bus deregulation and rail services have deteriorated; some places are now effectively cut

Naome Cottrell, a nursing home worker, is waiting in Sleaford, a neat market town on the western edge of the fens, to get back to Boston, the 700-year-old seaport where the docks are now promised a brighter, privatised future. "They say it should bring

more jobs into town but it won't make up for those lost. Anybow, getting there with-out a car is bad news. If we are all so much better off, why do we have to wait longer for everything from buses to hos-pital beds? Answer me that."

Tomorrow: the Midlands and south Wales

### my experience. I have never seen anything like it before or since." he said. banking system.

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of market deregulation

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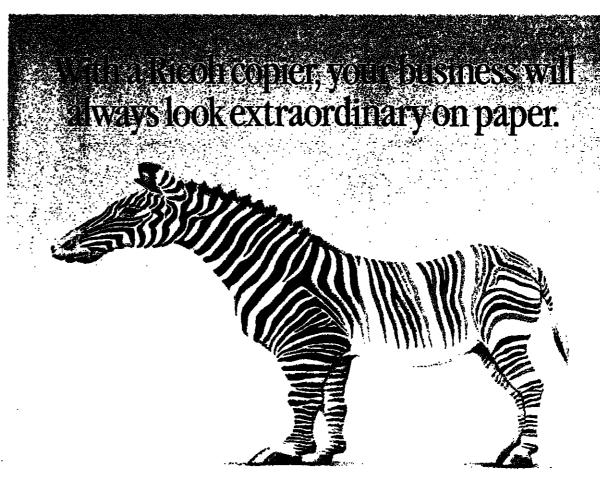
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### BUSINESS AND THE ENVIRONMENT

# Tribunal flexes its muscles

Ydro-Québec, the big Canadian hydroelectricity producer, has become one of the first companies in the world to appear before a self-appointed international water pollution "tribunal" to defend itself against its critics, marking a departure in the public relations war of words between environmental groups and business.

The Canadian company, the world's fifth largest hydroelectricity producer, voluntarily stood in the "dock" in Amsterdam last week to defend itself against charges of breaching laws and causing serious environmental harm in pursuit of the large-scale James Bay hydroelectric project in northern Orders

Hydro-Québec, one of the few corporate "defendants" to appear in 10 separate cases heard by the Second International Water Tribunal, was brought to court by the Cree Indians. After a five-hour hearing, the eight-member jury — composed of environmental lawyers, writers and scientists — recognised that Hydro-Québec and the provincial government had entered into a series of agreements with the Indians but said they doubted whether "such a contract adequately reflects the aspirations of the Crees to self-determination and control over resources".

In one other case, representatives of PetroEcuador, the Ecuadorian oil company, also appeared in Amsterdam. This marks a stark contrast to the the first international water tribunal in Rotterdam in 1983, when none of the companies cited in complaints about polluting the Rhine was present.

Jacques Finet, Hydro-Qué-

Jacques Finet, Hydro-Québec's vice-president for Europe, said his appearance before the tribunal was designed to get the company's point of view across to European public opinion. "We are proud of what we do," he said. "We have nothing to hide." His accusers, who included the Cree's chief Matthew Cooncome, were formidable competitors for media attention. They arrived at a pre-tribunal canal-side press conference in a traditional Indian canoe.

ational Westminster
Bank, the UK's second largest clearing
bank, is not the sort
of company that belches smoke
into the sky or empties chemical waste into rivers.

But it does employ close to 100,000 people, run a fleet of 7,000 vehicles, own 4,000 separate properties, and consume mountains of paper and office equipment. So it cannot ignore the impact this has on the environment.

Nearly a year and a half ago, NatWest decided to try to assess that impact and see what it should do about it. In conjunction with Coopers & Lybrand Deloitte, the accountancy firm, it embarked on an environmental audit of its entire domestic operations. "We literally lifted manhole covers and looked into the drains," says Hilary Thompson, head of the bank's environmental management unit.

Although the purpose was partly altruistic (the bank's new chairman, Lord Alexander, is keen on environmental issues), it was also economic insofar as NatWest wanted to reduce costs. It was even defensive to the extent that NatWest wanted to rebut criticism and prove that it was willing to set an example.

The results of the audit will be published in stages during this year through to October when the programme should be complete. But already work on the support services sector, the largest consumer of supplies and equipment in the bank, and UK retail banking is well advanced, and a picture is

beginning to emerge.

The audit is being conducted by two NatWest managers and the Coopers team. In the support services area they looked at supplies, property management, vehicles, information technology, catering and links with suppliers.

Some of these pose obvious questions: how to make buildings more energy efficient, or vehicles more environmentally friendly, which the bank was addressing already. NatWest is taking the sort of steps you would expect, such as raising the quality of its buildings and "greening" its vehicle fleet. It is also looking at waste management to ensure that in cleaning out its rubbish it is not merely shifting the problem somewhere else — a requirement that will have statutory force in the UK from next April.

A specific problem for banks is paper. NatWest has its own printing division, and the audit examined ways of raising the

David Lascelles examines
National Westminster Bank's
pioneering green audit

# Paper chase



level of recycled paper. But there are limits to what can be done here. One obstacle is an industry-wide agreement among banks on the quality of paper used in cheques which prevents them being recycled. This would have to be amended if a lower quality was to be accepted.

The paper issue also involved examining the policies of paper suppliers to ensure that they met Nat-West's standards and would not cause the bank any embar-

Il have
JK from ogy side, the audit checked the energy efficiency of equipment, and asked questions like, what is it made of, is it disposable?

Experts looked at the software to see whether it could be

made to run more efficiently. A technical unit has also been set up to vet new equipment. Thompson declines to dis-

cuss the audit's findings in detail at this stage. But she says that the exercise has been helpful in identifying a wide range of savings. Overall, the savings possible in support services should amount to five or six times the cost of achieving them (as opposed to the cost of the audit itself which Thompson puts in six figures), she believes. Some of the savings will be large, like the £750,000 that NatWest expects to save each year on its new energy-efficient cheque processing centre in Stone in Staffordshire, right down to the 12 per cent saving on making visiting

However, the cost of actually carrying out the changes required by the audit will be borne by the individual departments concerned on the grounds that they will be the long-run beneficiaries. This will also drive home to individual managers the economic message behind environmental

awareness.
Getting people to take the exercise seriously is a major part of Thompson's task. Although the initiative had board approval and is backed by senior management headed by Derek Wanless, a deputy group chief executive, institutional inertia and cynicism could still blunt its impact. Thompson has set up a network of senior sector executives whose job it will be to ensure that all the recommendations are carried out, and that the audit has a continuing impact backed by a detailed timetable.

timetable.

The intention is to have a follow-up audit in about three years' time. "I don't want people to see the environment as a separate issue," she says. "I want them to put it in their planning."

Aside from whatever internal benefits NatWest derives from the exercise, it also has an external purpose too. Nat-West needs to be in a position where it can speak with some authority on environmental matters to other organisations and businesses.

and businesses.

This is increasingly relevant as NatWest now has a policy of examining its business customers' environmental record when making loan decisions. In some cases its managers even require prospective borrowers to conduct an environmental audit of their own (at their own expense) before they approve a loan. This is to protect the bank against exposure to customers whose creditworthiness could be damaged by some environmental disaster.

NatWest claims to be the leader among the UK clearing banks in appointing an environmental supremo and conducting its audit. But other hig banking organisations have also begun to make themselves more green.

Barclays, for example, has had an energy efficiency unit operating since 1979, during which time it estimates it has saved the bank £11m. It is also trying to extend the use of recycled paper, cut emissions from its cars and outlaw hardwood furnishings. Lloyds and Midland have also been trying to make themselves more green, though none has so far sought an audit of its own.

URBAN AIR POLLUTION

### Putting brakes on the bus cartel

Leslie Crawford breathes the smog in Santiago



SANTIAGO'S chronic smog obliterates its most stunning landmark. The towering Andes that once formed the backdrop to the Chilean capital now exist only in the memories of long-suffering residents and the postcards bought by tourists.

Although Santiago has no heavy industry to speak of, and

its population (4.5m) is only a fraction of São Paulo's or Mexico City's, it nevertheless rivals these heavyweights for the dubious distinction of being Latin America's most polluted city.

The reasons for this lie in the capital's untrammelled growth and its dry climate, but above all in misguided free-market policies which encouraged the development of the most chaotic, inefficient and costly public transport system in Latin America.

system in Latin America.

Chile's former military government lifted controls on bus transport from 1975 onwards until there were no restrictions on routes or fares. Anyone who owned a hus could drive it wherever they pleased. As a result, there are more than 14,000 buses

more than 14,000 buses trundling through Santiago. Most run half empty, spewing out diesel fumes and thick clouds of soot from their engines.

Deregulation did not bring about a fall in

Deregulation did not bring about a fall in fares. The lack of alternative transport allows Santiago's 4,000 bus owners to operate a cartel, which controls a \$250m-a-year business and rigs prices to mask inefficiencies.

But to grasp the full

extent of Santiago's smog problems, one must add 430,000 other vehicles to Santiago's bus fleet, the dust from 700km of unpaved roads and wood burning in homes. The amount of particulate matter – dust, soot, and a choice blend of mutagenic agents – never falls below twice the accepted international health standards. In winter, when a mass of cold air traps the smog near ground level, the concentration of breathable particles can increase five-fold, forcing the closure of schools and industry. Drivers face restrictions of varying degrees for nine months of the year.

Hospitals are overwhelmed by the number of patients with respiratory diseases as soon as the autumn sets in. Their waiting rooms overflow with children attached to vaporisers — a kind of oxygen mask that unblocks obstructed lungs. Pneumonia has become the main cause of infant mortality in Santiago.

The military regime, which stepped down in March 1990, suppressed the results of medical research on the deteriorating health of its inhabitants. President Patricio Aylwin's government has made a brave stab at the problem since taking office less than two years ago. However, its greatest success so far has been political. After an acrimonious year-long conflict with the bus owners' cartel, the Ministry of Transport succeeded in forcing the retirement of the oldest 2.600 buses in circulation with compensation for their owners.

It also put the city's bus routes to tender in an effort to rationalise services and ease traffic flow. This was at first boycotted by the cartel, but its members caved in. The new services, scheduled to begin next month, were awarded on a point system that gave top marks to operators offering newer buses and lower fores.

on a point system that gave top marks to operators offering newer buses and lower fares.
"Putting the bus routes out to tender has effectively broken the cartel because operators have had to compete on the basis of price and quality," says Juan Escudero, a transport systems analyst at Santiago's Decontamination

Santiago's police now have the power to carry out spot checks on vehicles belching out exhaust fumes - and order them off the streets. The govern-

streets. The government has forbidden the import of used motors and spare parts, and from September onwards all imported vehicles will have to come with catalytic converters.

converters.

Some of the capital's 1,000 industries are already cleaning up their act, but the investment so far in reducing toxic emissions remains a paltry \$18m. The impact of planned tougher legisn while the government

lation remains uncertain while the government lacks inspectors to enforce it.

Escudero would prefer the onus to rest on self-regulation, and he is toying with the idea of a "polintion bourse" where licences permit-

ting specified amounts of contamination could be traded. This would force industries to factor their emissions as an economic cost.

If the idea sounds strange, consider some of the other proposals seriously put forward:

Blowing up mountains to the north and

south of the capital to create an air vent.

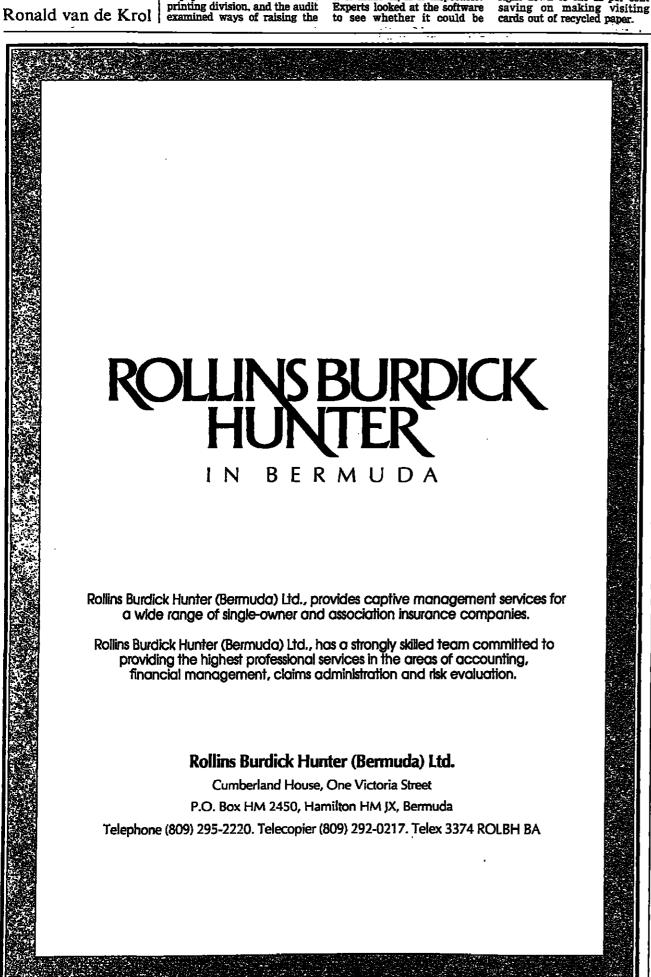
Rain-making machines.

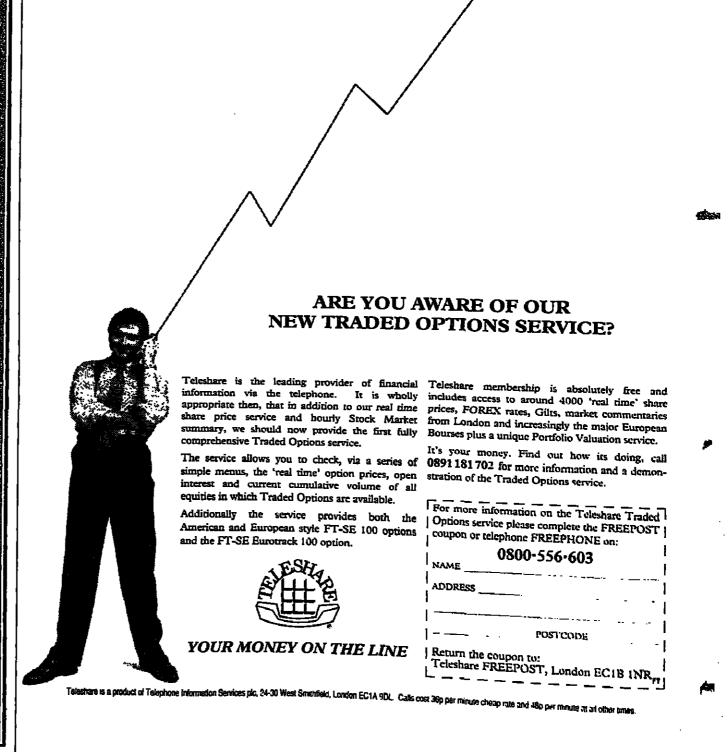
Fans to lift the smog.

The proposals reflect perhaps how desp

The proposals reflect, perhaps, how desperate Santiago's inhabitants are to improve their environment. When the first electric trolley-buses reappeared last month after 14 years, a trio of old ladies, alighting for the first time, knelt before the conductor and blessed the bus.

Next week's article will focus on Tokyo.





Tony Allen warns finance directors that Norman Lamont may have plans up his sleeve that would damage their cash flow

Finance directors may have more to be important for companies in other Norman Lamont's second Budget, now less than a foringht away. Despite the expectations of tax

cuts for all, March 10 may not be a red-letter day for everyone. Here is a checklist of the main items for finance directors to keep an eye on as they set — or re-set — their own budgets.

Income tax changes

Income tax is bound to be reduced

— either by higher thresholds or
lower rates — and while this is good
news for taxpayers, it is not so good

for their employers.
A cut in income tax means a reduction in the amount the employer withholds from wages. At present, companies can hold on to the tax for up to three months before paying it to the Inland Revenue, although the average period is one and a half months. Any reduction in the amount withheld will reduce the cash flow

of companies: for each £1m a year of wages, the cost might be £500 in additional interest costs. The same principle holds true for any cut in National Insurance

contributions. The basic rate of income tax can

ways. Those which borrow from non-banks are potentially liable to deduct income tax from interest payments. If the rate of tax falls, so will the amount of income tax that the borrower has to withhold — another hit on the cash flow.

One positive effect could be for growing businesses, as a lower rate of income tax will set an equally lower rate of small companies.

This would not benefit them until 1993 at the earliest, given the minimum nine-month delay in paying corporation tax. The small companies' rate now applies to the majority of companies in the UK.

Advance Corporation Tax

Companies are required to pay ACT at the rate of income tax on all dividends. The ACT can be offset against the company's corporation tax, but with significant limitations. It has been estimated that these cost the UK corporate sector £400m. a year. Representations on the way that ACT operates have been made for many years, but with little

Any reduction in the rate of

which must be good news. However, it will also reduce the amount of the offset in future years unless the rate of corporation tax is also reduced, of vhich so far there has been little indication.

indication.

In other words, companies that are already suffering from having surplus ACT will be less able to relieve the surplus in the future. Since the accounting rules require surplus ACT to be treated as an additional tax charge, a reduction in the basic income tax.

reduction in the basic income tax rate will perversely cause an increase in many companies' tax

Investment allowances

There has been much speculation on whether the Lawson Budget packages of the early 1980s — which cut the level of tax relief on capital investment — might be reversed.

The old, first-year allowances, which gave full tax relief in the year of spend, were said at best to be irrelevant to investment decisions. and at worst to distort them. Now the Confederation of British Industry and others are asking that higher levels of allowances are

This could be done in a number of ways. First-year allowances could

be introduced on a higher level of annual relief (currently 25 per cent, on a reducing balance basis) on

capital equipment.

Alternatively, Lamont could set different rates for different types of investment, as is the case already in the US, Germany and Japan. It is unlikely that he will consider the

lower level of allowances on buildings in the present climate. A straight-line basis gives equal relief over, say, four years with a 25 per cent rate. The reducing balance basis only gives 70 per cent relief

over the same period. Introducing the straight-line basis would be a very easy change to make and would eliminate the UK's archaic system of calculating allowances and give higher relief at a stroke. The changes would only belp those who are tax payers, or have been in the last three years. Moreover, there is also no new

evidence that the decline in investment over the last couple of ars is anything to do with the rate

The finance director will not get any early benefit from changes in allowances, since they will take effect only over a number of years and accounting rules on deferred taxation may require compensating deferred tax charges. While cash flow may be a little better next year, the company's reported profits may

show no benefit. Finally, additional allowances can take a long time to produce any benefit. If additional reliefs are introduced from April 1 this year for a company that has an accounts date of March 31, the resulting reduction in tax will not help its cash flow until 1994. Even the most pessimistic commentators seem to accept that there should be some improvement in the economy by

Monthly accounting for VAT

national cash flow implications of the changes to VAT accounting in Europe in 1993, Customs & Excise announced last November that the largest UK payers of VAT would be required to pay over their VAT more quickly, on a monthly basis (from the current quarterly basis)

from this October.

This will advance by an average of 45 days the VAT payments that these companies currently make. Some of those most affected are appealing to the couris that Customs is exceeding its statutory

One large group has estimated that the additional internal administration costs of



### **Aztec acts** swiftly as sky falls in

By Michael Cassell

Tudith Rutherford had before the bad news broke: "It was a complete shock, the worst possible start. But it handed us a massive

In December 1990, only one week into the job as chief executive of Aztec, London's first operational training and enterprise council, Rutherford was still preparing a strategy to assist economic growth in the London boroughs of Kingston, Merton and Wandsworth. Out of a clear blue sky, Brit-

ish Aerospace fired a devastatthe local community. The com-pany announced that it was leaving Kingston, an aircraft town since 1912 when pioneer aviator Tommy Sopwith built his prototype "Camel" there. Generations of Hurricanes, Hunters, Hawks and Harriers were to follow, until the age of defence cuts arrived.

The company, which at the time of the announcement directly employed more than 3,000 people locally in its military aircraft operations and accounted for one third of local manufacturing jobs, will be gone by the end of this year. The last Harrier airframe left the factory this month.

With it went around 500 job opportunities a year, numerous skill training opportunities, more than £12m of spending power from local people's pockets and all hopes that the area could avoid the worst effects of

the recession. "It looked for a while as though most people, apart from the unions, were just going to sit back quietly

and let it hap-pen," reflects Rutherford. What was a catastrophe for a relatively old immensely experienced workforce at least provided chance to use

its untested

skills in mobilising a commu-nity into action. cils, Aztec is now considering appointing an officer to trawl for EC funds to help them get

nity into action.

Rutherford says she has always seen a broad role for Tecs as brokers, acting as a catalyst to bring a range of local agencies together to help the business community fulfil its potential.

Attacks heard of directors.

its potential.

Aztec's board of directors.
drawn from the business
world, did not think it fit to
question the commercial decisions of BAe, which is spending f2m to help ease the pain
of closure and advise on jobs,
retraining and business startups.

But the board was anxious to assess the impact and to consider a strategy for minimizing

sider a strategy for minimizing the damage.

In the first public-private partnership of its type, Aztec joined forces with BAe, the three boroughs and other local bodies and set up a task force to address the issues.

The first results have just emerged in the shape of a report which identifies the short-term consequences of BAe's departure from Kingston

BAe's departure from Kingston and which tries to establish its



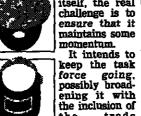
effect on longer-term economic trends in the area. The report, which should offer lessons for other compa-nies and communities faced with similar upheavals, makes a detailed impact analysis of the closure and considers future uses for the Richmond

Road site. But Aztec also hopes the document's value will be in providing a strategic framework for a programme of economic development in its area on which public and private sectors can co-operate.

The authors believe that the creation of a more systematic approach to monitoring employment changes and economic activity will help the process of forward planning.

In turn, that should encour-

age a better targeted approach to business support, training and other local economic development initiatives. For Aztec itself, the real



the trade unions and the and to employ TRAINING ON TRIAL local chamber of commerce. Together with the three coun-

> on with their job.
> Immediate plans involve a further study to identify the prospects for inward invest-ment and measures to help retrain older workers and relo-cate unemployed executives. There will also be courses for women having to return to work to supplement household

With the local citizens' advice bureau swamped with requests for help. Aztec expects to have its own help-

expects to have its own help-line operating in April.

But all the good intentions
and strategic objectives in the
world run up, inevitably,
against the expenditure
restraints of which Tecs now
increasingly complain.

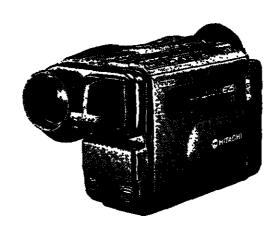
restraints of which less how increasingly complain.
Rutherford admits there is a great deal of finistration over the inability of TECs to fulfil the valuable role for which they were established, adding: "We are looking at a cake which will simply not begin to feed everyone."



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Rouerdam 14th February, 1992

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## Ship is entered at Bombay

THE ANTCLIZO (NO 2) Court of Appeal (Lord Justice Parker, Lord Justice Stocker and Sir John

Megaw): February 18 1992

A CHARTERED vessel which has completed the prior entry procedure at an Indian port and has been granted free pratique, is "entered" at Customs House and can validly give notice of readiness to discharge, though the inwards entry register is not yet complete.

The Court of Appeal so held when dismissing an appeal by the Food Corporation of India. charterers of the Antolizo, from Mr Justice Hirst's deci-sion (FT, May 17 1991) upholding an arbitration award in favour of the shipowners, Antclizo Shipping Corporation. A cross appeal by the owners was

LORD JUSTICE PARKER said that under the terms of a charterparty Antolizo carried a cargo of wheat from the US to India. Discharge was com-pleted at Bombay on February 10 1974.

Disputes arose between the parties as to despatch, demurrage and balance of freight. Arbitrators were appointed in 1975. Arbitration took place in

The arbitrator held that notice of readiness given at Bombay was valid; and that there was no cause of action for balance of freight until the date of his award. Mr Justice Hirst upheld his conclusions. Clause 34 of the charterparty provided that at port of discharge time was to count from 24 hours after notice of readiness, "vessel also having been entered at Customs House and

in free pratique". By section 30(1) of the Indian Customs Act 1962 the master had to deliver an import manifest to the proper officer within 24 hours after arrival at a cus-toms station, or "before the

arrival of the vessel".

By section 31(1) he was not to permit unloading until an entry inwards order had been granted by the proper officer. By section 31(2), no entry inwards order would be given until the import manifest had

According to the Indian Excise and Customs procedural manual, the procedure at Bom-

bay for entry of vessels and register was then completed. Some time between 2030 on goods had three stages. The first stage, known as

FT LAW REPORTS

"prior entry" was that prior to arrival the ship's agents would lodge an import general manifest, and an entry inwards application, at Customs House. The customs clerk would

give the vessel a serial rotation number and enter it in the inward entry register. He would exhibit the vessel's name and serial number on the Customs notice board, with the reference P/E, which indicated that prior entry procedure had been completed. He would provide the agents

with a certificate that various formalities had been completed, and that after submission of the store list and crew property list, the preventive officer might grant entry inwards.

The second stage arose when the vessel had reached inner anchorage or was in berth, and

was ready to discharge.

If a Customs preventive officer was available he would examine the crew's property and seal the vessel's bonded property store. Unless his suspicions were aroused he would endorse the certificate
"inwards entry is granted to
this vessel". Discharge might
then lawfully begin.
At stage three the certificate

was taken to the import department at Customs House. If documents were in order the clerk would fill in the blank columns in the inward entry register. Regulation 15 of the Customs manual provided that at that stage "on receipt of the certificate in the import department the manifest is admitted

finally".
If a boarding officer was not available when a vessel was ready to discharge at inner anchorage and Customs had given permission to break bulk in mid-stream, discharging

On December 29 1973 the owners' agents completed the prior entry procedure and obtained Customs permission to discharge at inner anchorage, ie to break bulk in stream.

On December 30 the vessel anchored at the floating light. She was then an arrived ship. On December 31 she received free pratique by radio, and gave notice of readiness. She anchored at inner anchorage at 2030 hours.

On January 1, the agents lodged the required documents with Customs at 1630 and the

December 31 and 1630 on January 1. Customs granted

inwards entry. The question was whether the vessel was "entered at the Customs House" within the meaning of clause 34 of the charterparty, on completion of Mr Hamilton for the charter-

ers argued that since prior entry did not carry with it an order permitting inwards entry, only final entry would satisfy clause 34. That argument had obvious

difficulties. First, if notice of readiness could not be given until final entry and that did not take place until after inwards entry had been granted and discharge commenced, it was unlikely that clause 34 was intended to produce the result contended for. To provide for a 24 hours' notice of readiness to

be given after discharge had already begun, made no sense at all. Second, the vessel was physically entered at Customs House when prior entry was

completed\_ Third, prior entry was important for importers, who would know they could proceed and arrange for discha There was no binding authority to compel the court

to reach a different conclusion from that of Mr Justice Hirst and the arbitrator. Accordingly the vessel was entered at Customs House at the time notice of readiness

was given. The next question was whether the vessel was ready to discharge when notice of

readiness was given.
The charterers contended she was not ready to discharge until granted inwards entry.

The arbitrator's case stated that there was no reason why immediately the ship reached inner anchorage and obtained customs approval of documents she should not have been allowed to discharge in stream at once; and there was no reason why she should not have received such approval at

In The Delian Spirit [1972] 1 QB 103, in which the absence of free pratique did not prevent the vessel being ready to load, Mr Justice Donaldson said a essel was ready to load "if she is in such a state of physical readiness that there is nothing to prevent her being made

ready at once if required"
In the present case as the
vessel had already been given permission to discharge at

inner anchorage, she could have been required to dis-charge and there would have been no material delay. There was a possibility that if a preventive officer became suspicious there would have

been a delay; or that some accident would occur which would result in delay. Those possibilities could not affect the validity of notice of readiness. If they did, no notice

of readiness could ever be The case was covered by The Delian Spirit. Notice of readiness was therefore valid. The charterers' appeal failed.

The owners cross appealed against the decision that there was no cause of action for bal-

ance of freight until date of award. Clause 29 of the charterparty provided for 90 per cent freight to be paid within seven days of signing bills of lading and "the balance freight will be paid after completion of discharge

despatch". The owners said the arbitra-tor had awarded interest on demurrage less despatch as from December 1 1974, and that the cause of action had accrued

by that date. On the face of the clause the primary obligation to pay did not arise until net demurrage/ despatch due had been agreed or determined. The owners accepted they could not succeed except on the McKay v Dick principle ((1881) 6 AppCas

For the principle to apply it had to be shown that the char-terers' "wrong" prevented set-

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Basil Murre

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What prevented settlement was the charterers' contention that they were owed despatch. To advance a contention ultimately proved wrong was not a wrong".

The cross-appeal also was dismissed. Their Lordships

For the charterers: Adrian Hamilton QC and Geraldine Andrews (Gagrat Gardi & Co) Clarke QC and Charles Had-don-Cave (Herbert Smith)

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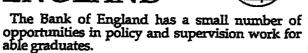
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### \* Les Contes d'Hoffmann

For its fourth revival at the Royal Opera in John Schlesinger's 1980 production – now directed by Richard Gregson, and sponsored by British Steel – Offenbach's not-quite-opera has last June's heroines (Sumi Jo, Anne Howells and Leontine Vaduva), a new Hoffmann and a new evil genius. Between them they produce enough sparks to keep the production ticking over, but it isn't easy

work.

Jeffrey Tate conducts in faithful style. A finicky critic might wish that the Antonia-trio had a more passionate undertow, and for the whole Olympia act less gentility, more less gentility, more
unabashed operetta-attack.
Sumi Jo's Olympia rescues
that with aplomb: she
plays (and sings,
impeccably) the mechanical
doll with deadpan wit,
but not one winsome nudge
to remind us that she is really
a clever, lovable artist something which we could something which we could hardly miss. Anne Howells' Venetian

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courtesan is too artful and knowing for the flaccid campery of the old production (a transvestite or two, pre-adolescent boys in napples strewing petals), and anyhow not one step of the helievable. She deserves a more upmarket milieu. William Dudley's cluttered set seems to have defeated even David Hersey's efforts to light it evocatively. Tate hustled the Barcarolle, as if fed up with the languid singalong-status it has acquired over the

generations, but Nemesis struck when the offstage chorus made a premature entry with its final reprise.
In the last act Dr Miracle's low-budget magicking induces no shudders, and the all-too-solid apparition of Antonia's Mother

(Anne-Marie Owens) is a plain mistake. Though the want of sympathy for Romantic spookery here is a real drawback, Miss Vaduva's open-throated Antonia touchingly vulnerable not only in persona but in pitch

- captures the right feyness. Gregory Yurisich's Doctor is as ripely (lamboyant as his other villainous incarnations, Councillor Lindorf. there is an apt touch of the Alexei Sayles in them all, and some international-class

In other roles

Gwynne Howell, Francis do their ever-reliable things without stretching themselves much. For the thankless part of the student Nathanael (Prologue and Epilogue Atkinson finds an unexpectedly sharp character, and Jean Rigby again offers a robust. subtle Nicklaus/"Muse" As for Hoffmann himself, the American Jerry Hadley is not only hopelessly eager and terrier-like, which suits this besotted anti-hero, but vocally rather elegant in very creditable French From April 1 his role will be taken over by Neil Shicoff,

and Ymisich's quadruple-act by Samuel Ramey.

#### TELEVISION

### A touch of class at your fingertips

aken as it comes, television seems increasingly like a shoddy street market where profit via popularity is such a dominant consideration that nothing elections of extremely such a dominant consideration that nothing else is of any real significance. Have you hap-pened across any children's television recently? It looks like a penny arcade of repeti-tively violent American car-toons interlarded with char troons, interlarded with chat from youthful presenters who slavishly ape the style and lan-guage of the rougher play-grounds, presumably to gain "street cred". Much of adult "street cred". Much of adult television looks embarrassingly similar, being created, judging from appearances, with just one question in mind: will it be enjoyed by a tired 16-year old full of lager?

The answer, of course, is to do everything in your power not take television as it comes and this is increasingly

mot to take television as it comes, and this is increasingly easy. For years the trouble was that when you switched on for a programme you really wanted (or just before switching off, having seen it) you found yourself trapped into watching some other rubbish, and when that ended you were lured into yet more nonsense. lured into yet more nonsense. Today the video recorder allows you to catch just what you want, and to watch it whenever you like. True, chan-nel controllers seem determined not to work to their advertised schedules, but pro-vided you allow five minutes extra at either end you can normally outwit them and tape the whole of whatever you

For a television critic this system often means finding yourself still stuck in front of the set at 3.00 in the morning. However, it also means that, over the last 10 days for instance, even though I have been bored by the banality of so many new comedies, appalled at the cynical way in which the Sky Sports satellite channel has exploited its exclu-sive coverage of the cricket closer to it than Marple and

World Cup (providing only three or four minutes of cricket between commercial breaks) and depressed by ITV's exhumation of Take Your Pick – all mation of Take Your Pick – all watched off air in real time – I have also been impressed with the standard of journalism achieved by a wide variety of programmes which I would probably never have seen had I not arranged to tape them.

Monday brought Coast Of Dreams, the first of a pair of Channel 4 documentaries about the British colonisation of Snain's Coast del Sol.

of Spain's Costa del Sol. According to custom and practice such a programme should tear the lid off a can of worms to reveal the venality of the host community, the naivety of the expatriates, and the ghastly reality behind the glossy image of a retirement paradise. There were touches of all that, but Malcolm Brinkworth's programme was far more subtle and probed deeper. Without a reporter or even a voice-over he set up a clever comparison between the expectations of Kevin and Pam Smith, new arrivals who were just opening the Swan, and the experiences of Mike and Betti Thompson who have learned the hard way how to serve 186 plates of roast beef and York-shire pud at the Bees Knees. If the second programme, report-ing from the Spanish view-point, is half as revealing it

On Tuesdays ITV is currently screening Murder Squad, a "fly on the wall" doc-umentary series which provides a stark contrast to all those other accounts of murder on television, where eccentric detectives, obsessed by opera or modern poetry, solve labyrinthine mysteries on stun-ningly beautiful locations. Murder Squad does not show us the "truth" (it shows us that even policewomen have their hair done when they know a television camera crew is arriv-

will make a superb pair.

Morse. These murders are in council flats, hairdressers and night clubs. The detectives are ordinary sounding people, characterised by common sense, routine, weariness and efficiency. The voice-over is intrusively noticeable, doubtless indicating the old mistake less indicating the old mistake of choosing an actor, but Robert Fleming's series gets closer to the mucky and mundane realities of the average murder (judging from experience as a news reporter) than any other series I have seen.

Last Wednesday Channel 4 began Letters From St Petersburg, a series of 15-minute programmes made by Kevin Sin, who is staying in the city and sending his material back for

sending his material back for sub-titling. Once the most forbidding place to make pro-grammes, Russia now seems to have been transformed into the most accommodating. This most accommodating. This opening programme showed us a huge old flat, shared by 15 families, with a whole line of gas stoves in the kitchen, and the inhabitants holding a typically gregarious new year's party. But Sim found resentful would-be shoppers who looked back to the notorious siege of the city as the good old days. Russia's real crisis may be still to come.

to come. Wednesday was also the night that BBC2 screened one of those near perfect programmes which turn up once in a blue moon, Miss Pym's Day Out in the "Bookmark" slot. Producer James Runcie had the incomparable Patricia Routledge playing novelist Bar-bara Pym, and limited his account of her to a single day in 1977 when she visited London for the Booker Prize ceremony as one of the shortlisted authors. She lost, of course, but that was virtually irrelevant. This 50-minute melange of drama and documentary did not evoke Pym's books by reference, it exemplified her work by embedying her spirit; no by embodying her spirit; no mean trick when you are oper-

ating in such a dramatically

different medium from that of the subject artist.

Last week's episode in the BBC2 series about Spain, Fire In The Blood, which is going out on Thursdays, was not the best so far. The trick of running in parallel footage of a football match between Basque and Spanish teams and of the war between Basque separatists and the rest of Spain was effective enough. But this series, produced by Alan Book. series, produced by Alan Book-hinder, is using an on-screen presenter – Ian Gibson – who does not stop short of indicat-ing his opinion occasionally

(invariably politically correct: women good, men bad, and so on). Yet this is not a full blown on). Tet this is not a full thown opinion piece, so we get neither a solid personal view nor a conventional objective report. The sheer strength of the series is proved by the fact that it survives this and still tells us a tremendous amount about Spain.

about Spain.

Friday's Arena unfolded the story of David Hampton who, having made a living in New York by passing himself off as Sidney Politier's son, is now suing for millions over a Broadway play which he asserts "stole" his life story. Producer Debbie Geller piled irony upon irony to create a programme which told a weird yarn well and was also wonderfully funny. When Hampton's victims declined to be interviewed she had actors portray them ... the very thing over which Hampton is suing. Her greatest success was to illustrate vividly the celebrity fixation which grips New York and presumably explains Hampton's success. His lawyer ton's success. His lawyer, although a millionaire, is des-perate to succeed as a singer and readily sang (flat) for Geller's camera.

Each of these programmes was a powerful piece of journalism, and each used a distinctive technique. On Sunday came Follow The Money on BBC2 which used yet another:



One of those rare near perfect programmes that turn up once in a blue moon: Jilly Cooper and Patricia Routledge in Bookmark's 'Miss Pym's Day Out'

presentation by Christopher Hird, interviews with key participants, archive footage, and so on. The material was scarcely new, either: Britain's failure to exploit its inventions such as the jet engine, penicil-lin and the CAT scanner. How-ever, producer Richard Belfield combined it all to devastating effect; you came away furious and desperate because he made it so clear that we cannot blame just the City, or short-

termism, or silly politicians, or unambitious managements, or neglect of R & D, or share-holder greed – we have to blame all of them. With the number, variety

and quality of factual programmes on television as impressive as this, it would be absurd to dismiss the medium as having succumbed wholly to street market values. However, the odds against happening across those seven pro-

grammes by chance, in the course of casual viewing, must be immense. The only way to be sure of finding what you want, and not being side-tracked, is to look at the schedules beforehand and then programme the video record-er...oh yes you can, anyone can, it is one tenth as difficult as driving a car and merely needs a little practice.

Christopher Dunkley

### Pygmies in the Ruins

After the spate of Irish lyricism that we have recently had in London from Dublin, here is a touch of the harder stuff from the north. Ron Hutchinson's Pygmies in the Ruins, which opened last November at the Lyric Thea-tre, Belfast and praised on this page by Antony Thorncroft, is billed as a thriller and cer-tainly has elements of suspense; an English audience, however might be more interested in what it tells us about the current state of Northern Ireland. The piece suggests that such is the cumulative, meaningless violence, a touch

of hysteria is setting in. The central character Washburn, played by Ian McEihinney, is a police photographer who periodically goes mad because he cannot make sense of what he is seeing. Whereas the rest of the Royal Ulster Constabulary is either getting out or looking forward to going on holiday in Florida, Washburn is obsessed by seeking a pattern in the killings. Yet there is a twist. This is

not a conventional play about modern Ulster. Instead Hutch-inson looks back to the Ireland of 1871 when the industrial revolution was at its height and Belfast was a thriving, thrusting city, far outstripping Dub-lin, which that particular revolution never touched. Belfast indeed had some claim to be the second city in the empire David Murray | in terms of prosperity.

There were unexplained killings then, just as there are unexplained killings now. Hutchinson juxtaposes the two periods and asks the question, through Washburn, who are the people of the north? Is the damage inflicted on them from the outside, or do they do it to themselves?

It is not Hutchinson's fault that he fails to provide the answer. If there is one, it has eluded everyone else. But it must be clear by now that -Jugoslavia apart - Northern Ireland is a pretty peculiar place by the standards of contemporary Europe. That is what the play is about.

The pygmies are the people f modern Belfast scrabbling about in the ruins of a once great entrepreneurial city. It may have been built partly on corruption, but at least it had a sense of purpose. "A thriving, prosperous Belfast, northern sister to ancient Dublin," says one of the 19th century characters, "is the best hope for an Ireland that will gather in her exiled sons and daughters... Dublin faces England and the past - Belfast faces the world and the coming cen-

Of the several things that I admire about a far-from-perfect play, one is the absence of any overt propaganda. This is a distinctive Irish voice saying something different. There are also no stereotypes, whether gunmen, priests, poets, revolu-

tionaries or tinkers. Hutchinson suggests that Belfast is about money; he does not rub it in too much that money is part of the protestant ethic. Religion tends to be directly confined to recurrent, rather dismal singing of "Hills of the North, Rejoice." "The hills round Belfast," someone says, "would have made a good place for a crucifixion."

The chief fault is that the piece is too long and does no know where to end. It could finish with Washhurn killing himself, as he is invited to do, or, succumbing to hysteria, turning his his gun on any or everyone else. That is part of

In the event, Hutchinson settles for a lyrical ballad spoken by Washburn and his girlfriend Nuala, played by the aptly named Fiona Victory. It tells the tale of a man on the Shankill Road who tried to slit his wife's throat, then hanged himself because he could not bear the blood. The woman survived and the man died; "For the razor-blade was Dublin-made, But the rope was Belfast linen." In that, as in much of the rest of the play, there is a touch of Louis MacNeice. The production, in associa-

tion with the Lyric Players Theatre Relfast is directed by Boin O'Callaghan. I found it pretty well faultless.

Malcolm Rutherford

### 'Niágara' and 'Summer Lightning'

**GLASGOW CITIZENS THEATRE** 

With the enlargement of its Citizens Theatre from a single theatre into a complex of three, Glasgow now has an abundance of year-round theatre that probably no other British city save London can match. The three consecutive evenings that I spent at the end of last week in its three auditoria were all absorbing, rich ones. Standards of acting, direction, interestingly chosen, proved rewarding. And the trio add up as a demonstration of both the great range and accomplishment of the Citz.

I reported on Monday on the new second theatre and its production of Craig Raine's 1953. The new third theatre, an unclaustrophobic black box, seats the audience (max. 70) on three sides of the action: which concerns Blondin, the celebrated 19th-century tightrope walker, and Carlo, the young man he once carried on his back on his 15th crossing of Niagara Falls. The play, Niágara (first performed in 1969 in Peru as El cruce sobre el Niágara), is by Alonso Alegria (1940-), Carlo first enters Blondin's life as a know-all young whippersnapper. He has see Blondin's every crossing of the Falls; knows which new show-off tricks actually make the crossing easier, is wise to tricks that no other spectator

notices: knows, as a bystander

more about the science of

din does as a practitioner. What burgeons is akin to love. Critic Carlo cannot conceal, though he forgets to express, his intense admiration for artist Blondin's heroic achievements; artist Blondin can only feel grateful for the unparalleled understanding his every act receives from critic Carlo. More than that, Carlo is tial. He even touches on Blondin's innermost fantasy: he

wants him to train himself to

tightrope-walking than Blon-

walk on air.
When Blondin refuses to try
for the impossible ideal of airwalking, it is his idea to carry Carlo across the falls on his shoulders. But can Blondin take such a responsibility on himself? Can Carlo? And yet what they are aiming at is not peril but a state of happiness. In the play's long final scene, they make the crossing (in white acrobats' tights, Blondin standing almost motionless on strip of ultraviolet light. Carlo perched on his shoul-ders); and much of what they say is intensely like love-making talk - calling each other's names first urgently as they

near the point of greatest danger, then ecstatically as they pass it, and then finally, in a wave of relief as they near safety and Canada, praising each other effusively.

But this is not a gay play.

Out attention may be drawn to

second run featuring music by Gershwin, Rodgers and Hart, Edith

Piai and others. Shows at 21.30

on Tues, Wed and Thurs. 21.30 and 23.30 on Fri and Sat. Dining

Rosemary Clooney, singing Gershwin, Cole Porter, Rodgers,

Hart and Hammerstein, has a

warm, husky but clear voice, a

Salie Pleyel 20.30 Georg Soiti

and Chorus in Havdn's The

conducts the Orchestre de Paris

world-weary cheerfulness and a

disarming sense of humour. Shows from 21.00. Dining (30 Rockefeller

(59 West 44th St, 840 6800).

Rainbow & Stars

■ PARIS

the resemblance of this climactic scene to Tristanic passion, but the two characters are oblivious to it. And the most stimulating and multi-faceted scenes have already occurred. Alegría does not try to make us either character loveable or normal; and this is one of his finest feats. The two performances, discreetly judged, give the play all the right tension. little studied, gives Carlo the right fervent obsessiveness. Robert David MacDonald, who has translated and directed. also plays Blondin; a nice blend of the practical man and

Meanwhile across the foyer the first theatre - with that hand-some gold-and-black three-tier auditorium that has served the Citz well for years - is presenting Summer Lightning, the classic P.G.Wodehouse novel adapted and directed by Giles Havergal. The purist could complain that this is not really a play, that it retains Wodehouse's brilliant narrative descriptions ("it was that gracious hour of a summer afternoon...when Nature seemed to unbutton its waistcoat and put its feet up") and that most of the delight it gives its viewers is the same delight they would derive from reading the novel. He could even cavil that the Efficient Baxter has been eliminated and the plot corre-

the visionary.

spondingly reduced.. Hard of heart, however, would he be who did not often guffaw here. The device of having characters not only speak their lines in character but also provide Wodehouse's narrative comments works comic wonders. Siobhan Stanley does it with especially hilarious dryness. "Ah!" she sighs as Millicent Threepwood, "Millicent looked something that might have occurred to Ibsen in one of his less frivolous moments.'

Another effective device is having actors play several roles, sometimes changing costume in full view of the audience. Stephen MacDonald, who excels at this, on one occasion switches from the grave butler Beach into the quavering Lord Emsworth in mid-phrase, while being helped out of his frock-coat and into a tweed tacket.

It is hard to describe the breathtaking prettiness of Helen Blaxendale as the chorus-girl Sue Brown. She told Newman Noggs, lips and eyes and hair. (Also cheeks, bones, arms...) And she has just the amount of energetic freshness which makes you want such chorus girls marry into blue blood and do it some good.

Alastair Macaulay

### INTERNATIONAL TODAY'S EVENTS

#### **AMSTERDAM**

Concertgebouw 20.15 Ken-Ichiro Kobayashi conducts the Netherlands Philharmonic Orchestra in Weber's Oberon overture, Grieg's Piano Concerto (soloist Leif Ove Andsnes) and Stravinsky's Petrushka (1947), repeated tomorrow, Fri and Sat. Sat afternoon: Frans Brüggen conducts CPE Bach, Mozart and Schubert (6718 345)

#### BERLIN

Friedenauer Kammerkonzerte 20.00 Harpsichord recital by Gustav Leonhardt, also tomorrow (Schöneberg, Isoldestrasse 9, 8591

spielhaus 20.00 Daniel Barenbolm conducts the Berlin nilharmonic Orchestra In music by Beethoven and Liszt Tomorrow and Fri: Hiroshi Wakasugi conducts Brahms and Schubert (East Berlin

2090 2156) Deutsche Oper 18.00 Jiri Kout conducts Gotz Friedrich's production of Die Walkure. Tomorrow: La Sylphide (West Berlin 3410 249) Staatsoper unter den Linden 19.30 Siegfried Kurz conducts Die

Entlührung aus dem Serail.

Tomorrow: Zar und Zimmermann East Berlin 2004 762) Komische Oper 19.00 Henze's ballet Undine, choreographed by Arila Siegert, Tomorrow: La bohème (East Berlin 2292 555)

#### **■ BRUSSELS**

Palais des Beaux Arts 20.00 Plano recital by Lazar Berman. Fri: Pierre Bartholomee conducts the Liege Philharmonic Orchestra in Stravinsky's Petrushka (1947) and Beethoven's Violin Concerto, with Pierre Alain Volondat (507 8200)

#### **■ BUDAPEST**

CONCERTS Tomorrow at the Academy of Music, Andras Ligeti conducts the Budapest Symphony Orchestra in music by Dukas and Ravel, with Csaba Onczay and Geza Nemeth soloists in Richard Strauss' Don Quixote. Fri: Leopoid Hager conducts the Hungarian State Symphony Orchestra, with Denes Varjon piano soloist.

The State Opera repertory Includes Der fliegende Holländer tonight and Manon Lescaut tomorrow. The Erkel Theatre has Kodaly's Hary Janos on Fri and a

Hungarian-language performance of II trovatore on Sat. Pre-booking for concerts at the National Philharmonic Booking Office (Vorosmarty ter 1) and for opera at the Central Theatre Booking Office (Andrassy ut 18). also at theatre box offices.

#### ■ CHICAGO

Orchestra Hall 19.30 Zubin Mehta conducts the Chicago Symphony Orchestra and Chorus In Mahler's

Third Symphony (soloist Florence Quivar), repeated tomorrow and Sat evenings, also Fri afternoon Sun afternoon: piano recital by Andrea Lucchesini, Sun evening lames DePriest conducts the Civic Orchestra of Chicago (435 6666)

#### FLORENCE

At the Teatro Communale, Bruno Bartoletti conducts Andrea Chenier tomorrow evening, Sun afternoon and next Tues evening, with a cast including Kristian Johansson. Renato Bruson and Giovanna Casolia (277 9236)

■ LONDON Covent Garden 19.30 First performance this season of Kenneth MacMillan's Manon, with Viviana Durante and Irek Mukhamedov, also Sat. Tomorrow: Don Giovanni (071-240 1066) Barbican 19.45 Pierre Boulez conducts the BBC Symphony Orchestra and Singers in music by Birtwistle, Berlo, Boulez and tockhausen. Tomorrow: Michael Tilson Thomas conducts the LSO (071-638 8891) Royal Festival Hall 19.30 Charles Dutoit conducts the Philharmonia in ibert's Escales, Poulenc's Piano

#### ■ NEW YORK

THEATRE A Life in the Theater: F Murray Abraham and Anthony Fusco in a revival of David Mamet's stage comedy about actors, directed by Kenneth Dowling. No performance on Fri (Jewish

Concerto (soloist Pascal Rogé)

tantastique. Tomorrow: Steve Reich

and Berlioz's Symphonie

repertory Theater, 344 East 14th St. 505 2667).

• And; that's the title of Roger Rosenblatt's new play starring Ron Silver and directed by Wynn

mid-year crisis. Wed to Sat at 20.00, also Sat at 14.00 and Sun at 15.00 (American Place Theater 111 West 46th St, 840 3074). The Other Side of Paradise: Keir Dullea returns to the New York stage as the novelist F Scott Fitzgerald, in a one-man play by John Kane, directed by Suzie Fuller (Kaufman Theater, 534 West 42nd

St, 439 8012).

A Little Hotel on the Side: Tony Randali, Lynn Redgrave, Rob Lowe, Maryann Plunkett and Paxton Whitehead star in this amiable Feydeau farce, translated by John Mortimer and directed Tom Moore. Final week, closes Sun (Belasco Theater, 111 West

44th St, 239 6200). Dancing at Lughnasa: the Abbey Theatre Dublin cast in their final week before an American cast takes over in Brian Friel's 1991 award-winning play (Plymouth Theater, 236 West 45th St, 239

6200).

Ticketron answers inquiries and sells tickets for most shows on and off Broadway (246 0102) JAZZ/CABARET Blue Note

This week: veteran lazz pianist George Shearing is joined by drummer Grady Tate and bassis! Nell Swainson, plus solo guitarist Joe Pass. Music from 21.00. Dining. Next week: Elvin Jones Jazz Machine plus Steve Turre Sextet Algonquin Hotel Welsh-born chanteuse Iris Williams follows her successful New York

cabaret debut last year with a

Lewis and René Pape. Repeated tomorrow and Sat (4563 0796) Théâtre des Champs-Elysées 19.30 Claudio Abbado conducts Luca Ronconi's production of il viaggio a Reims, with an all-star cast including Ruggero Raimondi, Cheryl Studer and Lella Cuberli Repeated on Frl and Sun (4720 3637) Opéra Bastille 19.30 Myung-Whun

Chung conducts the last performance of André Engel's production of Lady Macbeth of Mtsensk, with Kristine Ciesinski In the title role (4001 1616) Centre Pompidou 20.30 David Robertson conducts the Ensemble InterContemporain in music by Michael Obst. Edison Denisov and Elliott Carter (4260 9427)

#### ■ PRAGUE

CONCERTS This week's events at the Smetana Hall include a Prague Symphony Orchestra concert lonight at 19.30,

with a programme including Havdn's Symphony No 82 and (u Prasne brany 2, 232 5858). Jiri Belohlavek conducts the Czech Philharmonic Orchestra tomorrow and Fri in symphonies by Stravinsky and Mozart, with Olli Mustonen soloist in Beethoven's Fifth Piano Concerto (231 9164). OPERA

Tonight's performance at 19.00 in the Smetana Theatre is Madama Butterfly, with II trovatore on Sat. The National Theatre repertory includes La bohème on Fri and The Bartered Bride on Sat.

 For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, Melantrich, Wenceslas Square 38, 228714) and theatre box offices.

Opernhaus 19.30 Zoltan Pesko

#### **ZURICH**

conducts Marco Arturo Marelli's production of Ligeti's Le Grand Macabre. Tomorrow: two ballets by Bernd Roger Bienert, Fri and Sun: Nikolaus Harnoncourt conducts the Ponnelle production of Entführung. Sat: Eugen Onegin (262 0909) Tonhalle 19.30 Gary Bertini conducts the Tonhalle Orchestra Richard Strauss' Wind Serenade in E major, Goldmark's Violin Concerto (soloist Christian
Altenburger) and Beethoven's Third
Symphony. The programme is
repeated on Fri, with K A Hartmann's Concerto tunèbre instead of the Goldmark (201 1580). Sat Ulf Hoelscher plays the

Beethoven Violin Concerto with

Philharmonic (261 1600)

European Cable and Satellite Business TV (ail times CET)

2000-2030, 2300-2330 World Busi-ness Today — a joint FT/CNN pro-duction with Grant Perry and Colin

MONDAY TO FRIDAY

Super Channel 0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV 0830-0900 (Tues) Spiegel TV Intl Report - the real world documentary 2130-2200 (Tues) Media Europe ~

what's new in European media 2130-2200 (Wed) FT Business Weekly — global business report with James Ballini 0830-0900 (Thurs) Media Europe 2130-2200 (Thurs) FT Easiern Europe Report 0830-0900 (Fri) FT Business

2130-22.00 (Fn) Spiegel TV – Inti Sky News 0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fn) FT Bustness Weekly

SATURDAY CNN 0990-0930 World Business This Week - a joint FT/CNN production 1900-1930 World Business This

Super Channel 1930-2000 FT Eastern Europe

CNN 1030-1108, 1800-1830 World Bush

ness This Week Super Channel 1800-1830 FT Business Weekly Sky News 1320-1400, 2030-2100 FT Bus

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Wednesday February 26 1992

### **Anglo-Irish** shutters

MR ALBERT REYNOLDS, the new Irish prime minister, said in his first international inter-view that he would like to be remembered as "the man who opened up the shutters and let in the light". He has had a tempestuous start. News of the trish courts' refusal to allow an abortion for a 14-year-old girl who had been raped reached the world faster than that of his own inauguration or the latest atrocities in the north.

The case cannot be blamed on the new administration in Dublin. It is a reminder, however, that if Ireland wants to live in the modern world – and, in particular, the Euro-pean Community – the international spotlight will sometimes burn the skin.

In a development little noticed outside the Republic, the Irish government negoti-ated a protocol to the Maas-tricht Treaty allowing it to maintain its own anti-abortion laws, without being over-ruled by the European Court. Since, in Ireland, Maastricht has to be ratified by referendum, all sorts of troubles could be in store, including a referendum on Europe that becomes a referendum on abortion.

That kind of problem over "subsidiarity" in EC decisionmaking is familiar enough to the UK government, to which Mr Reynolds pays his first official visit as prime minister today. Dealing with Europe is not the only problem they have in common; there is also the question of Northern Ireland. Given the imminence of a general election, little new can be expected from the British.

#### Constitutional change

Mr Reynolds has already stated his readiness to put articles two and three of the Irish constitution, which claim the right to legislate for the whole island of Ireland, on the negotiating table. That is not a huge advance on previous Irish statements but he has at least suggested it at the beginning of his period of office and should be encouraged to build on it. In return the British government should repeat that while it is opposed to the unification of Ireland against the wishes of the majority of the people in the north, it is not opposed to unity in principle. Such was the position laid down in the

Anglo-Irish Agreement of 1985, which made the frequency and relative amiability of Anglo-lative amiability of Anglo-

lrish meetings possible.

The 1985 agreement is a flexible document. It can be amended and adapted as the parties to it wish. Without it, it is doubtful whether relations between two fellow members of the European Community would be as harmonious as so far a basis for solving the because some Unionists still challenge it; partly it is because it has not stemmed the violence, recently at its worst for many years. Successive political initiatives, like Mr Peter Brooke's, have been tried and petered out.

#### Favourable straws

There are one or two mildly favourable straws in the wind Part of the Workers' party in the Republic is renouncing rev olutionary links. Mr Gerry Adams, the president of Sinn Fein, talked at the weekend of a political rather than a military strategy. In the north there is a new movement. Iniacross the sectarian divide. None of these moves represents a decisive, or even a gen-uinely new stride forward. But they indicate, yet again, that determination in London and Dublin will not necessarily go unrewarded.

On the eve of a close-run election campaign, the most helpful development in London would be for the main political parties to state that they will not buy votes from Ulster MPs in the event of a hung parlia-ment. A fully bipartisan approach from Labour and the Conservatives remains, sadly a distant prospect, but they could at least protect Ulster from the potential horrors of Westminster power brokering by the unionists.

It is also time for British pol-iticians to acknowledge that Northern Ireland is too important to be hived off to a secretary of state. At a time of acute pressure for constitutional change in Scotland, the debate about modes of devolution is under way in earnest. Ulster has been allowed to get away too long with claiming that its problems are uniquely intrac-

### **Eco-imperialism**

HOW WOULD the readers of this newspaper like to have an elephant in their garden? What would they feel if they had to live off what that garden produces? To pose the questions is to answer them. Why then should western "elefriends" expect Africans to tolerate destructive animals that com-pete for valuable resources?

The answer is to make elephants economically valuable. Some argue that the best way is to permit trade in ivory, the issue that will dominate the 12day triennial conference of the Convention on International Trade in Endangered Species (Cites), which will start next Monday in Kyoto.

A total ban has been in place since 1989, following a decade in which Africa's elephant population slumped from 1.2m to 600,000. The ban seems to have been sucressful so far in lower-ing demand and so reducing poaching. Zimbabwe, along with South Africa, Botswana, Namibia and Malawi, even claims that culling is needed These countries want a resumption in trade in ivory and other elephant products, to generate funds for protection

and preservation.

Arrayed against Zimbabwe are the world's conservation-ists, who fear an end to the ban will halt the recovery in elephant numbers. Under their pressure, many governments have decided to support the ban's prolongation.
The practical argument for

the ban is that, without it, there would be confusion in the market, allowing smug-glers greater room for their activities. The practical argu-ment against it is that it does not make elephants worth preserving, but only makes them less worth killing. More-over, unless final demand has been lowered for good, trade

will move underground.

The case for the ban is not overwhelming. It is, in any case, no more than a small part of the solution. Elephants need to be made worth preserving. One way, which would not create the risks attendant upon an open trade in ivory, is to permit trade in other elephant products. Another is tourism.

Yet another is for the rich to pay Africans directly to preserve endangered animals. Environmentalists argue as if the preservation of loveable pachyderms is the only moral issue. It is not. Equally imporissue, it is not. Equally impor-tant is whether well-fed west-erners should compel poorer people to adopt their values. Compensation would be better. The amount they are prepared to pay would be a good indication of how much they care

about elephants.
Imperialism is no better for being green. If the rich want to preserve elephants, they should put their money where

### Perilous niches

THE HUMBLING of Rolls-Royce, the luxury motor-car maker, should be a salutary warning to British manufacturers who wish to nestle in cosy, upmarket niches. After selling through thick and thin to very rich consumers, largely she tered from recessions, the Rolls-Royce has become a cyclical product. The lesson for Rolls-Royce, part of the Vick-Rolls-Royce, part of the vice-ers engineering group, is that even if a product is steeped in history, its manufacturing needs to be grounded in today. With Mercedes-Benz pouring huge resources into the devel-opment of increasingly sophis-ticated cars, in the face of a ticated cars, in the late of mounting challenge from Japa-nese producers, the inxury car-market is becoming increas-ingly competitive. Rolls-Royce

is implementing changes to

working practices, but too late. Vickers is also looking for an

international partner to help launch a new model range. This is the path trodden by

other UK luxury carmakers, such as Aston Martin and Jagsuch as Aston Martin and Jag-uar, now owned by Ford, and Lotus, owned by General Motors. Rolls-Royce may sur-vive without a partner, but as a maker of instant antiques, rather like the Morgan sports car company. It will become part of the heritage industry. If manufacturers occupy small, upmarket niches, the technological ground is likely to slip from beneath their feet. Hotels and restaurants, shops and theme parks may trade on and theme parks may trade on heritage and a reputation for old-fashioned service. But manufacturers need more than the smell of leather and a glint of buried walnut to retain a reputation for luxury. They need to master modern manufacturing

♥ he International Monetary Fund has rarely been in greater demand. It is on the verge of completing member-ship negotiations with Russia and other former Soviet republics. Already heavily committed in eastern Europe, it has emerged as the west's principal instrument for assisting the transition to capitalism in formerly centrally planned economies.

Most policymakers seem to take the

IMP's central role in guiding eco-nomic reform in the former commu-nist countries – as well as in scores of developing countries – largely for granted. Yet it marks a startling transtanted. Fer it marks a starting tran-sition for an institution that was established for a quite different pur-pose. The IMF was created at the Bretton Woods conference in 1944 to run an international monetary system based on fixed exchange rates and limited capital mobility.

The Bretton Woods system disinte-

grated in the early 1970s creating an identity crisis for the IMF. At the time, many experts feared that its influence as a global financial institution would gradually wane. Instead, the IMF cast about for new roles. It helped recycle oil surpluses in the 1970s and involved itself increasingly with economic reform in developing countries. In the early 1980s, it was back on centre stage, managing the Third World debt crisis.

During the 1980s, the IMF was often criticised for excessively austere poli-cies, especially in heavily indebted Latin American countries. Much of the criticism has melted away Indeed, most observers today appear to have an exaggerated faith in its ability to work economic miracles.

The changing perception of the IMF reflects a shift in world opinion: the policies of economic liberalism and fiscal responsibility that it has always championed are now uncontroversial. Indeed, some recent clients have wanted to "out-IMF the IMF". In Czechoslovakia, Mr Vaclav Klaus, the finance minister, is a more committed disciple of market forces than many IMF officials. In Latin America, even as recalcitrant a pupil as Argentina is now proposing a programme of eco-nomic reforms that makes the Bush administration look dirigiste.

But observers argue that the IMF has also shifted ground to meet criti-cisms. It talks more about growth and less about balance of payments "stabilisation". It seems more aware of the impact of its policies on poverty, income distribution and the environ-

Mr Moeen Qureshi, until recently head of operations at the World Bank, says Mr Michel Camdessus, the IMF's managing director since 1987, deserves much of the credit for the changes. Mr Camdessus has "anticipated challenges and shown a greater capacity for leadership" than any of his recent predecessors, he says. Under Mr Camdessus's leadership, the

 Lengthened the duration of economic adjustment programmes and begun to put more weight on struc-

 Recognised the need for special concessional treatment - in effect aid for the poorest countries, especially in Africa; Taken a more lenient view of coun-

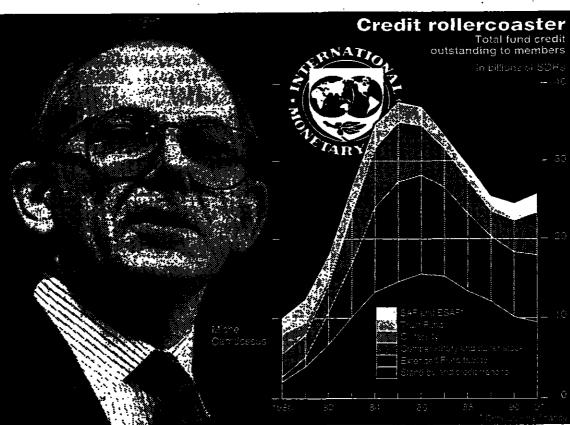
tries in arrears, in some cases allow-ing the effective rescheduling of fund

issues such as excessive military spending in developing countries. Mr Qureshi stresses that Mr Cam-dessus received little support from western finance ministers when fighting for such changes and often had to overcome opposition from a conserva-tive old guard within the IMF. He is a one-man band to such an extent that the rest of the staff are often not on the same wavelength".

Mr Camdessus's reforms, which built on changes already under way in the early 1980s, have helped create a more positive image for the IMF.

As former communist countries look to the IMF to aid their transition to the market, Michael Prowse examines the role of the fund

### Capitalist tool in need of sharpening



But do its economic remedies actually work? Mr Jacques Polak, a former senior IMF official who retains close links with the institution, recently reviewed academic assessments of IMF performance. He found the eviwas "not as conclusive as one would like".

IMF programmes have tended to improve the balance of payments which is hardly surprising given that this is their central aim. But the impact on inflation and living standards is, at best, uncertain. His review provides little evidence of a strong positive correlation between IMF programmes and growth.

Glancing at the IMF's latest annual

port points to a similar conclusion. At the back you will see long lists of developing countries that have had numerous IMF programmes (the champion is Haiti with 21), yet which still remain deeply troubled economically. For every Mexico, you can find a dozen poor performers. The early results in eastern Europe

are equally disappointing. "The underlying reality," says a World Bank official, "is extremely gloomy." Output is down sharply everywhere and there are few signs yet that pri-vate enterprise can fill the gap left by collapsed state enterprises. Poland is already backing away from the aus-tere policies initially agreed with the IMF. Czechoslovakia is growing restive. Mr Richard Erb, the IMF's deputy managing director, concedes that declines in output have been "a lot bigger than we expected" but argues that nobody has put forward convinc-

The disappointing results do not imply that IMF policies are necessarily misguided. Mr Polak suggests that it reflects the failure of countries to pursue the policies consistently. But the fact that the IMF finds itself in a long-term relationship of dubious value with many clients indicates something is wrong. After decades of effort, suggests one former IMF official, "a certain cynicism has set in". He says many officials are not "success-oriented": they negotiate tough programmes that fail to heed political realities and then "wait for them to

Part of the problem lies in the mis-match between the IMF's responsibili-

Part of the problem lies in the mismatch between the IMF's responsibilities and its original charter

ties and its ori meant to provide short-term bridging finance for countries experiencing temporary balance of payments problems. This led naturally to a focus on policies - such as devaluation and fiscal and monetary retrenchment – that would quickly bring demand into line with an economy's short-run capacity to produce. The more difficult development challenge of creating the conditions for sustainable growth formed no part of its remit. The IMF seams likely to get bogged down in eastern Europe and the for-mer Soviet republics for many years:

the evidence from Latin America and Africa is that it is rarely possible quickly to stabilise an under-developed economy and then withdraw. Mr Camdessus seems to relish the pros-pect of turning the IMF into a long-term development agency. But some question whether this is the right goal for an institution whose primary expertise lies in short-run

macroeconomic management.

The irony is that, while the IMF's case load has soared, putting enormous pressure on its hard-working staff, the rationale for some of its functions – and those of the World Bank - may be diminishing. A few blocks east of the IMF's grand build-ing on 19th Street in Washington, a small group called Sachs and Associates has opened its doors. The non-profit consultancy, which is headed by Professor Jeffrey Sachs of Harvard University, provides economic advice to Russia and eastern European gov-

In April, another innovative group, (EMC), will open in Washington. The founders include Mr Qureshi and Mr Donald Roth, formerly the World Bank's senior financial officer. EMC regards itself as an entrepreneurial version of the International Finance Corporation, the World Bank's arm for promoting private sector develop-ment. EMC hopes to add value by locating profitable opportunities for direct and portfolio investment in developing countries and the formerly centrally planned economies. Public sector agencies will always have a crucial role in crises such as

mediating between creditors and bankrupt borrowers and in helping the poorest countries. But flexible groups such as Sachs and Associates and EMC, rather than the Bretton Woods dinosaurs, could represent the future in development advice and

future in development advice and finance.

What do developing countries need? The answer, first, is a genuine commitment to reform: signing up for an IMF or Bank programme is not necessarily evidence of good faith. The other requirements are sound advice and money. There is little reason to suppose that Mr John Odling-Smee, the head of the IMF's department for former Soviet republics, can offer better economic advice than the equally knowledgeable Prof Sachs.

Going one step further, on the IMF's own market principles, it seems improbable that its 1,200 economists, corralled into bureaucratic departments, are realising their full potential. Might it make more sense to split them into autonomous competing

them into autonomous competing groups like the 15-strong Sachs and Associates? If such groups charged fees, they could be sure their advice was really welcome. Advisers whose policies worked would gradually gain business at the expense of the less

As for finance, the US Congress is baulking at providing an extra \$12bn for the IMF's long-promised quota increase. In the medium term, most resources for investment in former planned economies and the Third World will be supplied by private cap-ital markets that are larger and more liquid than envisaged by the IMF's founders. The bulk will probably be direct and portfolio investment flows. Companies such as EMC could thus become key conduits for development

At present, the IMF plays a catalytic role. Mr Odling-Smee and Prof Sachs may endorse identical programmes of reforms but Mr Odlingmee's signature is far more valuable, because many lenders and investors lack the confidence to commit resources without the IMF imprimatur. This suggests a need for a rating agency of some kind if Sachs and Associates could win a AAA rating for a proposed reform programme from an impartial agency, it, too, might be able to unlock a flood of private sector capital. The advantage of lots of small independent advisers in place of the hierarchical IMF would be greater innovation in the design of reform programm

For now, the IMF must take a lead role in Russia and elsewhere. But if independent advisers were to flourish it could focus more closely on the task Keynes and others originally conceived for it: the running of a world monetary system. "My big criticism of the IMF," says Mr John Wil-liamson, an economist at the Institute for International Finance, a Washington think-tank, "is its lack of work on economic policy co-ordination."

The proper surveillance of macro-economic policies in the industrialised world ought to be next big item on Mr Camdessus's agenda, says Mr Qureshi. He argues that Japan's big current account surplus and its alleged import barriers form a classic example of the kind of problem the IMF ought to tackle. Referring to President George Bush's ill-received recent visit to Tokyo, he argues that the disinterested Mr Camdessus, rather than a political leader, should have raised questions about unfair trade practices. "This would represent a genuine extension of a new world eco-

The IMF can play the role for which it was designed only if the leading industrial countries cede it more power to monitor and co-ordinate exchange rate and other macroeconomic policies. At present, they are denying it this crucial responsibility while pushing it ever further into development tasks for which it is still not fully prepared, despite Mr Cam-dessus's innovations.

#### Filling the Italian job

■ The selection of a new head of Confindustria, the Italian industrialists' confederation, has become further confused following the formal with-drawal of the candidature of Fiat boss Cesare Romiti. The 68-year-old Romiti

emerged as the unquestionable choice among Confindustria members to succeed Sergio Pininfarina, who has held this key job as chief spokesman for the private sector of Italian industry since 1988. But his candidature became a question

of conflicting loyalties. Confindustria needs a prominent industrialist who can deal from a position of authority both with the government and with the unions. However, Romiti has also proved himself invaluable to Fiat's ruling

invaluable to Fiat's ruling Agnelli family.

A tough, even authoritarian, manager, he helped steer the group through a bitter period of industrial strife in the 1970s.

Although he has gathered around him a team of executives in their late 40s by tives in their late 40s, his departure would have posed a big problem for the Fiat man-agement at a time when the group, especially the automo-tive sector, is being squeezed

by recession and increased international competition. Indeed, the refusal of Gianni Agnelli, the Fiat boss and one of the three "wise men" selecting the next head of Confindustria, to release him underlines how much the group has come to depend upon him. This is all the more so when Gianni Agnelli, 70, is preparing for the succession of his younger brother, the 57-year-old Umberto.

Magnum force ■ Unilever's results may have failed to set the City alight yes terday. But nothing was going to deter outgoing chairman Sir Michael Angus from cele-

brating his last annual press

### *Observer*

conference in inimitable knockabout style. First, there was the teasing build-up to a showing of a "banned" video. It turned out to be the commercial for "I Can't Believe It's Not Butter!". The vegetable fat spread's promotion – depicting a truly sickly yuppie couple getting back together over a cake – was banned from British televi-sion because it fell foul of EC reflection. Angus admitted.

viewers had some reason to be glad that the Independent Television Commission had kept it off their screens. Then followed a story about his "stimulating" staircase encounter with a Swedish

model who features in another Unilever campaign. Finally, Angus regaled everyone with a collection of his favourite limericks before repairing to the hospitality suite to do bat-tle with a large and sticky "Magnum" ice cream. It will be interesting to see if he keeps up this sort of behaviour when he takes over as president of

Screen test

■ Harry Turner has been havwharry furner has been nav-ing a tough time lately and yesterday's events did nothing to lighten his mood. The Law Lords took only ten minutes to turn down TSW's judicial review of the toos of its fran-chise to Westcountry Televichise to Westcountry Televi-sion. Turner, TSW's flamboyant managing director, is writing a book on the ITV fran-chise fiasco right up to the denouement in the House of

The unfortunate fellow will also have to confess that he not only lost a franchise by bidding too high, he was also taken in along the way by the notorious comman Joe Flynn. Using a variety of false names, Flynn has been extracting



"He's a Lloyd's Name but he's taken to pretending he's an estate agent"

newspapers, governments and intelligence agencies for years. His recent targets have included investigative iournalists Seymour Hersh and Mat-thew Evans, chairman of Faber & Faber, over the Robert Max-well and the Vanunu affairs, respectively.
In the middle of the ITV

franchise process Flynn suggested that senior member of the TSW staff were in cahoots with the opposition and came up with corroborative evidence in the form of the evidence in the form of home telephone numbers. In all, Joe Flynn cost TSW £4,000 – a drop in the ocean compared with the lawyers' bills.

Lloyd's crusader ■ No one would have guessed a year ago that Michael Free-man, the solicitor leading the legal battle against the Lloyd's establishment, would have been catapulted into the headlines. His eponymous firm is cial law expertise than for its

insurance know-how. However, just over a year ago he was approached by members of the Oakeley Vaughan syndicate who had become frustrated at the way their case against the Corpora-tion of Lloyd's was being han-dled. Not the sort of names died. Not the sort of names to let their affairs go by default, they decided to ahandon the respected City firm of Elborne Mitchell and head up west to find a tough, commercial lawyer. One of their number, Sir William Pigott Brown, had recommende

Freeman.
The appointment achieved the desired effect. Pleadings were amended, evidence redrafted and general conster-nation created. Perhaps it was natural that, having no connec-tion with the City, Freeman should develop a pronounced sympathy for his clients'

His speedy mastery of the inner workings of Lloyd's, cou-pled with his successful background in commercial litiga-tion, made it almost inevitable that he would be leading the crusade when it set off. He has a powerful mastery of oratory probably too abrasive a style for a QC, but just the tonic for spurring depressed and impoverished members of Lloyd's.

Nice try

■ The Royal Institution of The Koyal Institution of Chartered Surveyors is main-taining a stiff upper lip. No, Rob Andrew of Debenham Tewson & Chinnocks was not picked as young chartered sur-veyor of the year because he is a brilliant rugby fly-half. He was nominated on the rie was nonmated on the grounds that he was "destined, on business qualities alone, to become a leading member of the profession". And as for his recent move to Toulouse, where young Rob seems to be playing a lot of rugby, the RICS says it has added a "continental dimension" to his business involvement which has "brought great credit to

### This week on **Financial Times Television**

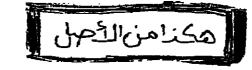
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### **LETTERS**

### practical tools for managers

From Ms Margaret Exley. Christopher Lorenz's article on Peter Senge (Management, February 17), Tony Gill misses the point (Letters, February

What matters is not whether "organisational learning" is the latest fashion, but whether as an idea it makes a difference. Peter Senge is not only a purveyor of systems thinking (an old idea). He also offers me fresh and practical tools

Not least is the exploration of their own taken-for-granted mental models – a revolution-ary process if done well. Another is the linkage between systems thinking and organisational learning.

Operations researchers would have had us believe that systems are self-correcting, but organisations are only self-correcting if managers intervene and make sure the learning takes place.
Organisational learning is

about accessibility of knowledge. Any readers of Senge's rather heavy book will have found Christopher Lorenz's plain English guide a welcome Margaret Exley, managing director. Kingsley Lord, 34 Old Queen Street,

#### Too late to avoid problems

From Sir Douglas Hague. Sir, I hope you will allow me, as a believer in the accuracy of historical records, to clarify my discussion with Sir Terence Burns, reported by Peter Marsh (Monday Profile, Febru-

The conversation occurred in June 1987 when my argument was this: first, I believed that the rate of growth of economic activity in the UK was unsustainably high; second, that this would lead to serious inflation which could be corrected only by monetary policy.

### Some fresh and Circle must be squared on monetarist question

From Sir Alan Walters.
Sir, Mr Samuel Brittan derides and condemns all forms of monetarism expounded by Patrick Minford. Tim Congdon, myself, and presumably all other British monetarists ("UK monetarists monetarists ("UK monetarist golden age – alas a myth", February 24). Fair enough But what I do not understand is how Mr Brittan can square this contempt for British monetarism with his great enthusiasm for German monetarism. The Bundesbank announces monetary targets and, as has been amply demonstrated over the last six months, it adjusts interest rates and open market operations to bring the money supply into its target band. Is this not a monetarist policy as practised by the Bundesbank over the last three and a half

Indeed so great is Mr Brit-

Sir Terence took the view

that since house prices were

not rising significantly all was

reasonably well. To this I replied that unless policy were

changed house prices would begin to rise rapidly but that by then it would be too late to

avoid serious problems. Your readers will be able to judge

Doctus Consulting Europe,

truth.

Douglas Hague,

Windsor House.

tan's admiration for German monetary policy that, since 1985, he has urged that, by joining the ERM, Britain should be subject to German monetarism. One can appreciate the argument that one can trust the Bundesbank and perhaps the European Central Bank more than the politicians who controlled British policy. But embracing German mone-tary policy does necessarily imply that one accept the funimply that one accepts the fun-damental relationships between money, incomes and prices, in short monetarism, that underlies and guides

We would all benefit if Mr Brittan could explain how this circle is squared. Alan Walters, vice-chairman, AIG Trading Corporation, 1200 19th Street NW, Washington DC 20036, US

#### Information technology delivers only with proper direction

From Mr Peter Rowbrey-Evans. 20). Despite its importance, and Sir, It is the common misconincreasing relevance to many companies' activities, IT should generally be subordiception - that information technology should always be a nate to a business systems function. Such a department ~ corporate function in its own right - that is responsible for most of the marital difficulties possessing a sound knowledge of the business, information of business and IT ("Catalogue grows of IT woes", February systems and the capabilities of IT - is best placed to formulate IT policies and strategies and to direct IT. In this way a

purpose-built bridge can link the business's needs and the use of IT, instead of the flimsy constructions which IT managers are often forced to build. The UK and many other countries have a wealth of good IT specialists. Without proper direction - and a forum in which their valuable advice and ideas can be understood and evaluated in-house computer systems sistently to deliver the goods. Peter Rowbrev-Evans.

30 Lymington Road, London NW6 1HY

#### Not swag, but highly motivating

From Ms Kate Mortimer. Sir, So far I have seen no one challenge the thought that the defendants in the Blue Arrow and Guinness trials were not "in it" for personal gain, and therefore should be treated somehow differently from fraudsters who directly steal the clients money. I am sure I cannot be alone in taking exception to this. What are bonuses, profit-related pay, commissions, promotions and capital gains (not to mention a Lord of the Universe reputa-tion) if not "personal gain"? Not so crude as bags of swag, no doubt, but highly motivating all the same. Kate Mortimer, Lower Corscombe,

#### Did not wait to resign

Devon EX20 ISD

From Mr Greg Dyke.
Sir, You ask (Observer, February 21) why did I wait a month after the teletext licence bids were submitted before resigning from the ITN board? The answer is clear - I

didn't! I always disagreed with ITN being involved in a bid for the teletext licence and made that clear several months ago at the board of ITN, I also made it clear that, if ITN were involved in a bid, I would not

Once the bid was submitted I quietly resigned. When the board met last week they decided to announce my resignation, despite my request to be allowed to go quietly. Greg Dyke, chief executive, LWT (Holdings), London Television Centre,

ndon SE1 9LT Fax service LETTERS may be laived on II7 1-873 5938
They should be clearly typed and not hand-written Please set lay machine for fine resolution

#### 2 Pepper Street, Chester Engineering job cuts are those Britain cannot afford to make

From Mr Tim Webb. Sir, On Wednesday, February 12 1992, British Aerospace announced 2.350 redundancies - 900 in the regional aircraft company and 1,450 in military aircraft Redundancies of that amount are always significant, particularly in Britain's largest manufacturer and exporter. What was even more signifi-cant, however, was that about 70 per cent were managerial and technical staff, including about 1,000 professional engi-

The trend in recent redundancy announcements in high-

ther the employer nor the national economy can afford to lose. It was only a short time ago that companies like BAe, Rolls-Royce, GEC and British Nuclear Fuels were scouring the universities and polytechnics of Britain, promising bright, long-term careers for engineering graduates. Now they are sacking them in large

It is a well-publicised fact that Britain has a shortage of qualified engineers; it should not be thought, however, that those displaced will readily

being cut are those which nei- available. It is certain that and money to achieve profesmany of the new unemployed will be sceptical of Britain's engineering future and will look for other career paths. Some will drift into casual types of work merely to have In towns around the manu-

facturing sites. Britain may be able to boast some of the best educated and qualified mini-cab drivers who were previously professional engineers. One of the latest absurdities to emanate from Michael Howard, Secretary of State for

Employment, is that employees tech manufacturing is for white-collar job losses to outnumber those of manual workers. While any job lost is a tragedy for the employee concerned, the type of jobs now the collar jobs will be the collar job losses to outnumber those of manual workers. While any job lost is a tragedy for the employee concerned, the type of jobs now the collar jobs will be the collar job losses to outnumber those of manual workers. While any job lost is a tragedy for the employee concerned, the type of jobs now the collar job losses to outnumber those of manual workers. While any job lost is a tragedy for the employee concerned, the type of jobs now the collar job losses to outnumber those of manual workers. While any job lost is a tragedy for the employee concerned, the type of jobs now the collar job losses to outnumber those of manual workers. While any job lost is a tragedy for the employee concerned, the type of jobs now the collar job losses to outnumber those of manual workers.

sional qualifications, only to be dumped into the ever larger pool of the unemployed? The government believes

that random market forces will resolve the problems but they cannot and will not. We elect governments to manage the economy. This government ing its hands and reciting incantations about worldwide recession, recovery just around the corner and that it would be worse under Labour. How much worse can it get? Tim Webb, national officer,

Park House, 64-66 Wandsworth Common

### PERSONAL VIEW

### **Arts funding: too precious** to be a political drama

By Peter Palumbo



in the

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A STATE OF THE STA

George Bush's removal of Mr John Frohnmayer, chairman of the National for the Arts, illustrates what happens when politicians meddle in art. Mr Frohnmayer's tenure of office

demonstrated what has long been known at the Arts Council of Great Britain, the Endowment's UK counterpart: namely that artists need free-dom to experiment, and that freedom can be costly and con-The Arts Council spends

1200m annually on the arts under protection of its royal charter. Its chief executive is accountable to parliament. The system provides a buffer from political interference.
In an election year in the

In an election year in the UK, not surprisingly siren voices have already been calling for direct ministerial funding of the arts "flagships", including the Royal Opera House and the Royal Shakespeare Company, At present these organisations receive grants from the Arts Council, whose experts assess artistic whose experts assess artistic quality – that elusive category – and their value for money.

It may be tempting for a new arts minister to short-circuit this process and send the cheques himself, but the consequences of such a move would be serious. It would ride rough-shod over the "arm's length" principle of keeping politicians away from "artistic" decisions (contrived by Lord Reynes, the

President first chairman); and it would store up significant political fall-out, since the minister would then have to provide detailed answers in the Com-mons on questions relating to everything from Hamlet's father's ghost to the cost of costumes in a production of the Ring Cycle. Direct funding of the arts remains an unat-

tractive political option. This does not mean the arts are politically unimportant. It means a distinction must be drawn between an effective public policy to support the arts and the practical means to carry it out

carry it out.

A recent independent survey for the Arts Council revealed that 71 per cent of respondents values the arts as a prime contributor to the quality of life; and 69 per cent supports public investment in the arts. In 1990, 17m adults regularly attended more than one type of arts. more than one type of arts event. In the past five years opera audiences have risen 15 per cent; jazz by 10 per cent. Last year 100m people visited art galleries and museums, far more than attended football art galleries and museums, far more than attended football matches. Later this year the Arts Council will unveil its national arts and media strategy which aims to take account of the changing patterns of leisure and participation in the arts. The Arts Council will look to a new government to assist it in carrying out the national strategy.

However, there is another reason why British politicians should pay attention to the arts: they make money, in fact more money than the UK motor industry. How?

Arts expenditure: the total

• Arts expenditure: the total

in 1990-91 was £1.5bn - modest in the context of the UK gross domestic product of £547bn. The £1.5bn provides for libraries, the Arts Council, military bands, museums and gal-leries and new arts buildings. Arts income: according to the Treasury, the arts contrib-uted £6bn to the UK balance of payments in 1990. This figure includes the sale of works of art, publishing, television and film royalties and arts expenditures in tourism. By contrast, the value of UK vehicle exports

On the basis of this evidence, television news ought to carry stories nightly about the arts industry, displacing the familiar litanies of Rover. But this is unlikely.

The "big issues" in the elec-tion will be health, education.

defence and taxation. Scarcely any other issue receives detailed public scrutiny. So what do the main political parties have to offer the arts?

The Conservatives promise "an expanding partnership between the state and the pri-

between the state and the private sector", pointing to the success of the government's business sponsorship incentive scheme which has produced £30m annually of business support. In spite of talk of "incentives for the successful development of the arts", no new fiscal measures have yet been mentioned by the government mentioned by the government despite indications that a national lottery might be included in the manifesto. Labour has produced arts policy documents, including the crafts, design, women in

the arts and architecture. Its

"big idea" is a new ministry of arts and media. The Arts Coun cil is to remain. The party also proposes new statutory responsibilities for local authorities. However, a "weak" obligation to support the arts placed upon local councils might produce an extra £50m-£100m bill for the environment secretary. Labour has also made noises of approval for a national lottery to support the arts, sports and the environment. Like Labour, the Liberals

promise a single ministry for the arts. They undertake to provide increased public fund-ing for the arts "up to the European Community average", which suggests a quad-rupling of the Arts Council's grant. They also promise to abolish entrance charges to museums and galleries. The Scottish National par-

ty's policy for the arts is predi-cated on the belief that Scotland's national culture is under threat from the dominant culture of England. The SNP promises a national theatre for Scotland, and action to safe-guard traditional folk arts.

So far so good. One big dif-ference between the forthcom-ing election and that of 1987 is that the political parties seem to have taken the arts more seriously. But the general principle, pace Mr Frohnmayer, is that the arts are too precious a resource to be the subject of radical party political differ-ences. What is undoubtedly clear is that the arts will be remembered long after Ecu Lord Palumbo is chairman of the Arts Council of Great

#### **Edward Mortimer**

### Iraq's gruesome stalemate

headlong retreat from Kuwait. Oper-FOREIGN Sabre - the

AFFAIRS coalition ground offensive was in full and deadly swing one of the most rapid and overwhelm-ing military victories in the history of warfare, ancient or

modern.
The US-led, UN-authorised coalition unquestionably won the war. But did it lose the peace? That is a much harder question. Kuwaiti sovereignty was restored, yet Kuwait today is by all accounts a broken-backed, acutely xenophobic society, insecure both in its domestic affairs and in rela-

domestic affairs and in relations with its neighbours.

Apart from the inevitable reprisals against those accused, justly or otherwise, of collaboration, whole communities of people who lived in Kuwait for a generation or more – helping to build and run its ultra-modern infrastructure in petur for a very structure in return for a very modest share of its enormous oil revenues - have been forced to leave. The citizenship laws remain as restrictive a ever, but the ruling family eems reluctant to concede any real power even to those who qualify as citizens.

Of the new security arrange-ments in the region, much talked about before, during and after the war, there is no sign. Kuwait and the other Gulf states remain dubious about accepting any long-term military presence of their Arab "allies", nervous about the growing power of Iran, and lesperate for continued protection from western countries which, for their part, are much happier to sell arms than to envisage any further involvement of their own forces.

Above all, President Saddam Hussein remains in power, alternating submission and deception with provocation and truculence, as the UN struggles to get a hold on his programmes for manufacturing weapons of mass destruction – programmes which turn out to have been far more advanced and extensive than was suspected even a year ago.

The war was fought to liberate Kuwait and to "restore international peace and secuised and poorly armed, and

The west must now formulate clearer and more specific objectives in relation to the Gulf

tion of Iraq from Ba'athist tyr-anny was not an official war aim, although US President George Bush did (on February 15 last year) call on the "iraqi people to take matters in their own hands to force Saddam Hussein the dictator to step aside". In his mind this was a means, not an end: a less dan gerous (for the coalition forces) and less destructive route to victory than the direct libera-tion of Kuwait by a ground

offensive. But the Iraqi people took it the other way round, seeing the coalition's victory as a route leading to the overthrow of Mr Saddam's regime. They rose in revolt too late to be useful from Mr Bush's point of view, and their expectation of his assistance was cruelly dis-

appointed. I remain convinced that the insurgents could have won last year's civil war in Iraq if the US and its allies had given them firm support - even power of the troops loyal to the regime. Also, very early on, the revolts came to be seen as inherently sectarian and seces-

That is true, but it begs the question. Western support would have gone far to correct this impression, especially if endorsed by Egypt, Saudi Arabia and Turkey. All three of those countries were on record as wanting to see Mr Saddam overthrown, and the Turkish president, Mr Turgut Ozal, explicitly called for a

democratic regime in Iraq while publicising his contacts with Iraqi Kurdish leaders. Such a combination would have helped to convince the Iraqi officer corps, drawn predominantly from the Sunni Arab minority, both that Mr Saddam was a loser and that the successor regime would be a moderate one under western and Arab tutelage, rather than a sectarian Shi'ite one backed exclusively by Iran.

The repression in the south has been, if possible, even more savage than in the north, and in the south there is no 'safe haven'. There, too, there is an acute shortage of food and medical supplies

without the allies committing their own ground forces to a new offensive. They could have been supplied with food and weapons, plenty of which had been captured from Iraq during the liberation of Kuwait. They could have been given air cover, particularly against heli-copter attacks (as they were, under the terms of the cease fire, against fixed-wing air-craft). And the west could have pledged support for their pro-claimed objective of a united but democratic and pluralist Iraq, bringing their leaders together and cementing their new-found unity. That is disputed in the anal-

ysis of the Gulf conflict pub-lished by the International Institute of Strategic Studies\*. The rebellions, it points out, were "spontaneous, disorgan-

Why reheat this long-cold meal now? Because, in one form or another, it still has to be digested. Today in Downing Street the British prime minis-ter receives Mr Massoud Bar-zani, leader of the Kurdistan Democratic party and, thanks to the western intervention last spring, one of the two de facto rulers of northern Iraq an area from which Mr Sad-dam has withdrawn his military forces, but which he is now trying to starve into sub-mission. Mr Barzani will plead for food supplies to be sent in directly, across the Turkish and Iranian frontiers. He will also ask Britain to send official observers to witness elections

in Kurdistan. To refuse such requests would be yet another cynical betrayal of the Kurds, like that which Mr Barzani's father suffered in 1975 when the US acquiesced in the Algiers agreement between Iraq and Iran, cutting off the aid that had encouraged the Kurds to fight.\*\* But to grant them would take Britain close to supporting a separate Kurdish state, unless it is done as part of a strategy for liberating Iraq

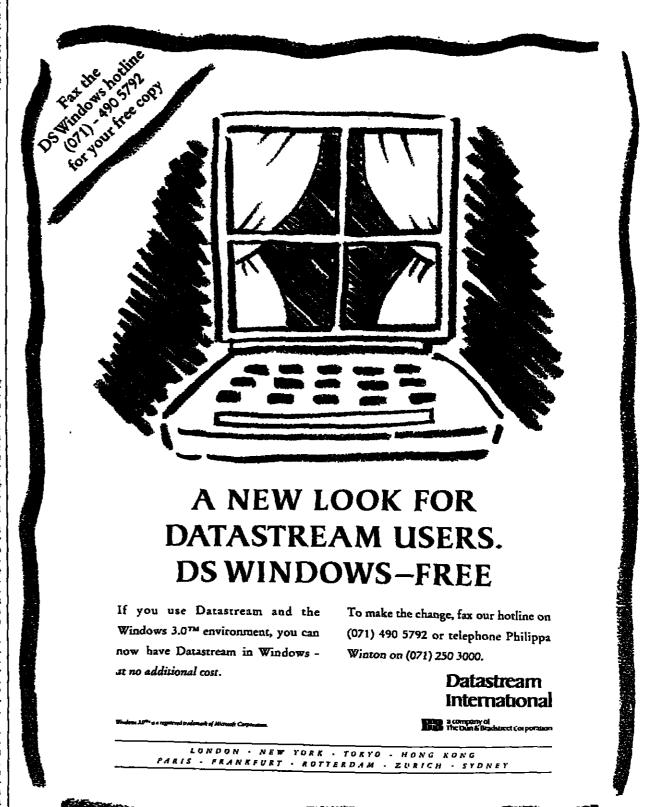
as a whole.

For the fact is that the repression in the south has been, if possible, even more savage than in the north, and in the south there is no "safe haven". There, too, there is an acute shortage of food and medical supplies, with epidem-ics rampant and infant mortality rising steeply, not because food and medicine are embargoed but because Mr Saddam refuses to sell oil to pay for them on the terms fixed by the

UN Security Council. Western policy towards Iraq has resulted in a gruesome stalemate, of which the Iraqi people are the main victums. Recognising this, Mr Bush and his vice-president, Mr Dan Quayle, have recently piedged that Mr Saddam will not be allowed to remain in power indefinitely, although without explaining how they intend to remove him. Meanwhile, the Iraqi opposition is again gathering itself together, and plan ning to unite at a congress in Vienna at the end of March. This time, the west must be much clearer and more specific about its objectives. It should encourage the proclamation not of a separate Kurdish state. but of a provisional govern-ment for the whole of Iraq, and should supply that government with weapons and air cover so that it can gradually expand the area denied to Mr Saddam's forces, until at last those forces turn against him.

Anyone who wants to help some of Mr Saddam's victims in the south can support the Iraqi Humanitarian Relief Committee, which is trying to buy second-hand ambulances in the UK and send them out to the Iraqi refugee camps in Iran. Its patron is the British MP, Ms Emma Nicholson, and its address is 50 Wendover Road, London NW10 4RT.
\* The Gulf Conflict: A Political and Strategic Analysis (IISS Adelphi Papers 264, Winter

1991-92). \*\* See David McDowall, The Kurds: A Nation Denied (Minority Rights Publications 1992), page 97.





### **FINANCIAL TIMES**

Wednesday February 26 1992



### Economic gloom but the doom is overdone

The recessionary clouds in France are not without a silver lining, writes Ian Davidson

LMOST every time unemployment increasing preoceed terrand appears in pubterrand appears in pub-lic, he chides the French people for their pervasive mood of

"France has the highest average income in Europe." he said earlier this month. "I want to convince you that the French are as capable as others of overcoming the crisis. Our economy is in good health."

Fundamentally the French economy is indeed in good health, and it has received an approving verdict in the latest report from the Organisation for Economic Co-operation and Development. But the current gloom about the economy is justified: revised government figures show that the recession in France is significantly more severe than was previously

forecast.
The Statistical Institute had been counting on gross domestic product growth of 0.6 per cent in the fourth quarter of last year, to give overall growth for 1991 of 1.4 per cent. However, the latest figures show that the economy was flat in the fourth quarter, and that the final figure for growth in 1991 was barely 1 per cent. The rising trend of the

BRITISH researchers have

discovered a new "high-temper-ature superconductor" which

may be suitable for large-scale

applications such as cables

that could carry electricity for hundreds of miles without los-

ing energy.

The discovery at the General Electric Company's Hirst Research Centre in London.

followed a two-year search using a robot which made and

tested materials with 15,000 dif-

ferent chemical compositions.

The work was part of a col-laborative project involving six

European companies under the

EC's Brite-Euram programme. The original excitement about high-temperature super-

By Clive Cookson, Science Editor, in London

the near-certaint the general elecfrom now.

During September, October and November the unemployment figures rose steeply. And though the rate of increase in December, the seasonally adjusted unemployment rate at the turn of the year was equivalent to 9.8 per cent of the workforce, compared with 9.1 per cent in 1990

Mr Pierre Bérégovoy, the finance minister, recently said:
"We shall avoid 3m unemployed in 1992." But figures published yesterday show that unemployment rose again in anuary, to 2.86m.
The Labour Ministry yester-

day predicted that the number ob-seekers would decline, in crude terms, in coming months. But the unadjusted unemployment figures are already up to 2,965,617, only a whisker short of the politically fateful figure of 3m despite three job creation packages in less than a year.
If the recession has a silver

conductors - ceramic materi-

als first made in 1986 which lose all electrical resistance at

the temperature of liquid nitro-

engineering or to make mag-nets powerful enough to levi-tate heavy objects such as

superconductors in important respects, especially for high current applications".

figures is an cupation for a ling the pros- rebuff in next	KEY 1992
elections, and	GDP growth %
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Unemployment % Trade balance bnFfr

KEY 1992 FORECASTS FOR FRENCH ECONOMY

lining, it is the continued fall in inflation and a sharp improvement in trade figures. The 0.1 per cent increase in the retail price index in December brought the overall increase for 1991 to 3.1 per cent. This was not just an improvement on the previous two years (3.4 per cent in 1990 and 3.6 per cent in 1989), but also a better performance than in most of France's neighbours, including Germany (4.2 per cent), Netherlands (4.9), Italy (6.5) and Switzerland (5.3).

he improved competitiveness of the French economy has been reflected in a sharp recovery in the trade figures. Last year the total trade deficit fell from just under FFr50bn (\$8.92bn) to just over FFr30bn. The trade deficit

GEC claims compound is superior to any high-voltage electricity carrier available

UK researchers find superconductor

Details of the compound.

which includes seven chemical elements including cadmium,

lead and copper, will be pub-

The knock-on effect of the tax short-fall is that it is doubtful whether the government can stay within its 1992 planned budget deficit of FFr90bn. Here the critical unknown factor is the timing of the recovery.

The most recent forecast by

the Statistical Office pointed to an annual growth rate of 2 per cent during the first half of this year. This was broadly consistent with the calculations of the OECD, which forecast a rate of 1.9 per cent in the first half, accelerating to 2.4 per cent in the second.

However, both these predictions were made in December, before the depth of the reces-sion was fully known. More-over, the record suggests that France needs a growth rate of at least 2 per cent to stabilise unemployment and of 3 per cent to bring it down. It is not surprising, therefore, that the OECD forecasts that unemployment will continue to rise this year, before stabilising at slightly more than 10 per cent; not surprising, but very uncomfortable for a Socialist

Growing pessimism in Ger-

develop, is energy storage: electricity can flow indefinitely

around a superconducting coil

The US has the world's larg-

est research programme into superconductivity, with fund-ing of \$200m a year from the federal government and a fur-

ther \$100m a year from US industry. Next comes Japan,

### THE LEX COLUMN A preference for proper equity

ECC's decision to repay the bulk of its US auction preferred stock with the proceeds of a £200m rights issue will do little to calm jitters in a once fashionable corner of the securities market. It always seemed imprudent for companies to build a substantial part of their capital structure on an instrument which relied on a tax concession for its efficiency; the strategy becomes that much more unwise, though, when the relative cost of servi-cing starts to increase. ECC's decision will no doubt revive discussion about how AMPS are to be treated under revised rules from the UK's Accountancy Standards Board. Common sense suggests that they should be included as debt for cover purposes in the profit and loss account. The unfortunate example of Ratners dem-onstrates that in balance sheet terms they can legitimately be

counted as equity.

ECC, though, is very far from the Ratners league and, encouraged by a much better than expected profit forecast, investors shrugged aside the cash call with a 7p increase in the shares. It may be that the new paper will put an end to the recent outperformance of the shares. But with chief executive Andrew Teare's touch apparently as sure as ever it would not do to count on it.

Unilever

With the benefit of hindsight Unilever's chairman Sir Michael Angus might have chosen another year in which to unveil valedictory results. Recessionary scars on both sides of the Atlantic were obviously reflected in yesterday's 1 per cent pre-tax profits and 4 per cent earnings advance in calendar 1991. Even so, the 1 per cent underlying volume increase looks a touch pedestrian set beside Nestle and BSN. No doubt the market's response in marking Unilever's shares 3 per cent lower was compounded by publication of one of the gloomiest US con-sumer confidence indicators

since the mid-1970s.

What really stands out, though, is the company's formidable balance sheet strength. Net debt was not far short of £3bn in mid-1990, but with the 42 proceeds and promised sale of the agricultural husinesses plus a continuing businesses, plus a continuing working capital squeeze, that £1bn by the end of the year. A lower interest bill ought to maintain the profits momentum in the absence of an

since the mid-1970s.

FT-SE Index: 2,546.8 (~12.9) **NatWest** Share price relative to

meanwhile, already boosted a point or so by the sale of poor performing oil milling, paper and agricultural merchanting businesses, are set to reach double figures with the cost cutting benefits of the single market programme. Given the huge medium-term potential the shares are well worth holding for an earnings multiple just 5 per cent higher than the market average.

NatWest

The starting point for a consideration of National Westminster's results is scarcely minster's results is scarcely encouraging. Here is a bank effectively paying a maintained dividend out of capital raised from the market last year. It has only belatedly got round to tightening up its lending practices despite running up £1.9bn in provisions. Operating costs are running well ahead of inflation. Such a past does not inflation. Such a past does not easily lend itself to expecta-tions of a glowing future.

To be fair, buoyant commission income helped boost operating profits by 20 per cent compared with just 14 per cent at Lloyds. Yet, if earnings do rebound this year, it will be largely because of falling provisions in the US, spiced by some \$1bn in tax credits carried for-ward by a now profitable National Westminster Bancorp. There will hardly be a repeat of the £111m write-back of pro-visions on problem country debt, however, or of the £52m credit from release of provi-sions by 3i. So the bank will have to make up some ground just to match 1991's pre-tax

profits of £110m. Even assuming NatWest is right to expect some fall in UK provisions this year - and Lloyds takes a somewhat less sanguine view - earnings are unlikely to do much more than upturn. European margins, cover a maintained dividend in 1992. The kick of profit reten-() demand stays weak, but then backers of the shares as a recovery stock might ask where growth will come from in the medium term. The bank. cannot squeeze extra commission out of its customers indefi-

Currencies

It would have been nice for the UK government if yester-day's Spanish rate cut had ere-ated some leeway for sterling ated some feeway for sterling in the ERM. In the event, the pound remained at its floor against the peseta and both currencies slipped against the D-Mark. If there is to be a UK interest rate cut before the election, it looks as though the government will simply have to ignore the ERM constraint and hope the peseta continues

to move with sterling.

That is a risky course, which probably explains why the authorities appear bent on deferring action as long as possible. The danger of delay is that a poll-conscious market might infer that the govern-ment had lost faith in its ability to win the election. In that case the opportunity to cut might never materialise.

Coal imports

AB Ports' decision to pull out of the proposed develop-ment for coal imports at its Immingham deep-water facility was a surprisingly blunt reaction to a request for a delay from PowerGen. Granted, the issue of coal imports has become a hot political potato. The two electricity generators are in the threes of negotiations with the government over future contracts with British Coal, and are doubtless also worried by the possibility that a Labour government would s take a tough line on imports. But it is hard to see why AB Ports should have called such lucrative proceedings to a pre-emptory halt when it will pre-sumably have to fund any

alternative project itself.

As for what the disappearance of perhaps 10m tonnes of import capacity will mean for the generators further out, it seems safe to assume that National Power will now decide to develop a facility in Hull, while arguably PowerGen had somewhat less need of Immingham in the first place. If UK coal is a little less expensive compared to imports, so much the better for British Coal. A deal before the election

### **BAe** in talks with Japanese groups on regional jet

By Paul Betts, Aerospace Correspondent, in Singapore

BRITISH Aerospace is in talks with Japan's three leading aerospace companies – Kawa-saki Heavy Industries, Fuji Heavy Industries and Mitsubishi Heavy Industries – over a possible partnership in the UK group's BAe 146 regional jet

programme. BAe has been seeking industrial partners for its regional jet programme, which has suf-fered from the slump in civil aviation and the acute financial problems of smaller air-

Senior BAe executives confirmed yesterday that the com-pany has had wide-ranging with several European and Japanese manufacturers but that it was particularly interested in forging an alliance with Japan.

A Japanese partnership

would boost BAe's presence in the Asia-Pacific civil aircraft market, which is expected to show strong growth during the next 10 years.

The Japanese companies are also interested in a partnership venture with an established western aerospace manufac-turer, which would give them access to the development of a commercial aircraft programme rather than simply subcontracting work. Mitsubishi has had discus-

sions with Deutsche Aerospace on co-operation in the regional aircraft sector, but these talks are understood to have failed to make any progress.

Deutsche Aerospace has

been seeking to launch a new \$2.5bn regional aircraft pro-gramme in co-operation with France and Italy, but the project's timing appears to have been delayed by the current depressed state of the market. BAe has offered the Japa-

se manufacturers an opportunity to join its 146 programme, including the development of a new 100-seat

The European Airbus con-

assembly. BAs in deal with European helicopter group ......Page 7 sortium, in which BAe has a 20 per cent stake, has also had

France and Germany in

dispute over Airbus

preliminary talks with the big three Japanese companies on a possible partnership in the development of a new very large Airbus programme involving a 600-seat jumbo air-liner towards the end of the

have so far been tied to Boeing, the world's largest manufacturer of commercial aircraft, but their role in the US company's programmes has been limited to subcontracting.

BAe and Airbus would offer the Japanese the opportunity to share in the development of commercial aircraft programmes, which Boeing has so far been reluctant to do.

BAe has also been seeking a partnership to rationalise its lossmaking BAe 146 business as part of the company's overall restructuring strategy. The UK group has called for a rationalisation of the

regional aircraft industry, where competition among companies has become intense because of the large number of

The links between BAe's Rover car subsidiary and Honda, the Japanese group, have helped to increase the UK company's visibility in the Japanese market and given an added boost to the discussions with the three aerospace man-

BAe this month split its commercial aircraft operations into three separate units to give it greater flexibility in its rationalisation programme and its search for new international

gen (-196 deg C) — had been waning as scientists began to learn more about their disadlished later this week in a spe-cialist journal, Superconductor Science and Technology.

The compound resembles the thallium series, the best superconductors which have been vantages.

Most serious is the fact that they cannot carry the large currents required for power discovered to date, but without its drawbacks of toxicity and Although only a few grammes have been made so far, the scientists have estab-lished that it is a stable and GEC says its new material promises to be "superior to the known high-temperature reproducible material which

becomes superconducting at -181 deg C.

The next step will be for

GEC to transfer the material to the other participants in the EC project: BICC, ABB, Alcatel Cable, Pirelli Cavi and Siemens. They will work to develop superconducting cables from it, though these are unlikely to reach the power

engineering market for another

in civil industrial goods fell

from nearly FFr86bn in 1990 to

just over FFr49bn in 1991. France has also made a spec-

tacular turnround in its trade

balance with the rest of the EC, from a deficit of FFr39bn in 1990 to a small surplus of

The positive trend in the trade balance was confirmed yesterday with figures for January, showing a surplus of

FFr3.6bn, compared with a deficit of FFr2.7bn in December.

blown the government's bud-getary strategy off course. Last year it managed to stay pretty well within its planned spend-ing limits, but tax receipts col-

lapsed. As a result, the Finance Ministry says the 1991 budget out-turn will be FFr123bn, com-

pared with a target of FFr80bn.

The recession has, however,

According to an EC estimate, Europe could theoretically save £2bn a year by replacing its existing power transmission system with superconducting cables cooled by liquid nitro-

10 years.

tion, which Japanese electric companies are spending millions of dollars a year to

where government and indus-try each spend an estimated \$120m a year. Europe's total superconductivity research programme, funded by national govern-ments, industry and the EC, is slightly smaller than Japan's. But, as the GEC discovery shows, it still delivers results.



Former Japanese prime minister Zenko Suzuki testifies to a parliamentary committee that he received Y10m from an indicted politician for services rendered. Report, Page 4

### New Tokyo scandal emerges

Exchange Law, which followed last year's scandals and which outlawed the practice of bro-kers' guaranteeing to buy back stock at a pre-set price. No lon-ger could a broker promise to buy back shares – even if the pledge only covered a short period of time when shares were parked with one client on behalf of the other.

In Cosmo's case, the broker transferred a lossmaking portfolio from an unnamed com-pany to the account of Skylark, a restaurant operator. The unnamed company refused to take the securities back so Skylark sued Cosmo and has set-tled for compensation of

Y36bn. According to Cosmo. the transactions were the work of an individual employee who forged papers needed to transfer the losses to Skylark.
Daiwa also said its dispute with Tokyo Land involved the work of a single employee carrying out unauthorised trans-

The disclosures highlight the scale of losses suffered by investors in the Japanese stock market since shares plunged in early 1990. These cases are the early 1990. These cases are us-tip of the iceberg." said Mr Peter Tasker, research man-ager at the Tokyo office of Kleinwort Benson, the UK merchant bank. The total capitalis-ation of companies listed on the First Section of the Tokyo

Stock Exchange has dropped from Y590,000bn at the end of 1989 to less than Y350,000bn. For smaller houses, which are operating deeply in the red because of the slump in stock exchange turnover, heavy port-folio losses may spell the end of their survival as indepen-

ent companies. The securities bureau of the The securities bureau of the Finance Ministry, which in the heyday of the bull market staunchly opposed the entry of banks into the securities market, is now changing tack. Seeing banks as potential saviours of loss-bound broking companion. nies, it is considering raising from 5 per cent to 50 per cent the maximum stake a bank can hold in a securities company.

### Decline in US consumer confidence

Continued from Page 1

Analysts said the most worrying aspect of the confidence survey was a sharp decline in a component measuring future expectations. This fell to 62.2 compared with 68.7 last month gesting that consumers have become more pessimistic about economic prospects.

Mr Fabian Linden, for the

Conference Board, said the consumer's prime concern was job security. The anxiety was credible given recent statistics which showed a decline in the numbers employed and a cut in the average working week.

economist at Mellon Bank in Pittsburgh, said the figures made another cut in interest rates likely, probably after next week's employment

Consumer spending accounts for two thirds of economic

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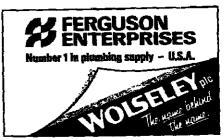
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### **FINANCIAL TIMES COMPANIES & MARKETS**

Wednesday February 26 1992 THE FINANCIAL TIMES LIMITED 1992



SmithKline Beecham profits reach £1bn

SmithKline Beecham, the Anglo-American pharmaceuticals and consumer products group, yesterday reported a 17 per cent rise in pre-tex profits, pushing them across the £1bn (\$1.74bn) threshold for the first time. Mr Robert Bauman, SmithKline's chief executive, said the results were excellent in spite of the 2 per cent drop in turnover to £4.68bn. Trading conditions in the US consumer market were described by Bau-

Sweeping reforms in Mexico

man as "tough", Page 20

 $\mathbb{I}_{p_{\mathcal{K}_{\mathcal{J}_{\mathbf{k}}}}}$ 

The Mexican government's sweeping reforms to compulsory pension and housing funds may bring long-term stability to the country's notoriously volatile capital markets. The changes, which require employers to pay 2 per cent of employees' salary into personal pension funds administered by the commercial banks, and 5 per cent of salary into personal housing funds administered by a housing agency, are expec-ted to boost domestic savings by \$1bn in the first year of operation. Page 19

GM profits fall 8% in Europe



Net profit of the European operations of Gen-eral Motors fell last year by 7.9 per cent to \$1.76bn from a record \$1.92bn in 1990. In spite of the modest decline GM was probably still the most volume carmakers in Europe last year, how-

ever, with a 7 per cent net profit margin. Page

The 386 battle rages on

The five-year bitter dispute between Intel and Advanced Micro Devices over the 386 mlcroprocessor shows no sign of ending. Intel has decided to challenge an arbitrator's award to AMD of rights to any Intel technology that it might wish to incorporate into its own version of the 386. Now with both sides claiming the arbitration decision as a victory, competition between the chipmakers is set to force prices even lower. Page 17

First-half loss for TNT

TNT, the Australian transport group, yesterday first-half net equity accounted loss of A\$46m (US\$34.5m) compared with a profit of A\$49m in the corresponding period of the previous year. After taking account of abnormal items, the loss increased to A\$51m. Page 17

Farmers fear CAP won't fit

The future of Finnish agriculture looks like the only serious obstacle in the way of Finland's formal entry application is expected to be forwarded to Brussels by the middle of next month, but the government of the rurally-based Centre party is well aware of the anxieties among many Finnish farmers who lear they may lose their livelihoods if Finland adopts the EC's common agricultural policy. Page 22

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London Forfalting Lonrho MGN 16 WPP 20 Wells Fargo Chief price changes yesterday

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Fraud inquiry into sale of Perrier stake

By William Dawkins in Paris

FRENCH police have been called in to investigate suspected irreg-ularities in the sale of a stake in Perrier, the mineral water group, to Saint Louis, the sugar group allied to Italy's Agnelli family. Mr Hubert Gasztowtt, for the public prosecutor's office, yester-day told the Paris commercial court that a preliminary inquiry into possible "penal infractions" had been handed to the fraud squad. Legal officials said investigators would be looking for

insider trading.
This latest twist in the increas ingly bitter struggle for control of Perrier coincided with the first day of one of two court cases in

day of one of two court cases in which Nestlé, the Swiss food multinational, is seeking to reduce the Agnelli stake.

An Agnelli holding company launched an agreed bid for Exor, a French holding company owning 35 per cent of Perrier, late last year. The subsequent pur-chase of more Perrier shares by Saint Louis allowed the Agnelli camp to lift its stake in the water company to 49 per cent, only days ahead of a hostile FFr13.4bn (\$2.39bn) bid for Perrier from Nestlé, four weeks ago.

The Swiss group's hopes of acquiring Perrier hinge largely on its winning at least one of the legal cases. Nestlé had an initial

setback yesterday when the pub-lic prosecutor advised the Paris court to uphold the sale of a 13.8 per cent stake in Perrier to Saint Louis. The Swiss group's lawyers claim the sale is "fraudulent" and should be annulled because Perrier and Saint-Louis both knew that the Swiss company was about to launch a bid, and at

a higher price.

Mr Gasztowtt said an inquiry
by the Commission des
Operations de Bourse, the stock market watchdog, showed there was no proof that Mr Jacques Vincent, Perrier's chairman, knew about the impending Nestlé bid at the time, so the sale to Saint Louis was valid.

The case appeared to swing back in Nestle's favour again when Mr Gasztowtt announced the police inquiry. The Paris court, which can choose whether to follow the prosecutor's recommendations, is to issue its judgement on March 16.

Nestlé's other case is in Nîmes, near Perrier's main plant in southern France, where it has challenged Exor's voting rights on its 35 per cent stake. The pub-lic prosecutor has advised the Nimes court to reduce the voting rights of Exor and its allies to 20 per cent for two years. A decision is expected on March 6.

### Record UK loan losses shrink NatWest results

By Robert Peston in London

RECORD losses on UK loans in 1991 led to a collapse in the profits of National Westminster, the UK clearing bank, to their lowest level since 1975.
As a result, the bank plans to

cut staff numbers by at least 4,000 this year, having shed 6,400 iobs last year. NatWest's pre-tax profits last year dropped 78 per cent to £110m (\$192m) due to a bad debt charge

of £1.99bn, which included losses on UK lending of £1.45bn, the biggest ever incurred by a UK bank. The poor results - which meant that NatWest had to withdraw £220m from reserves to pay a maintained dividend of 17.5p a share - represent a sharp rever-sal in its fortunes. Only three years ago it made pre-tax profits of £1.41bn, more than any other UK bank before or since.

None the less its trading sur-

record £2.03bn, largely due to a sharp rise in commissions. NatWest's bad debt charge meant that its UK financial services division – the heart of its business and including its 2.816 branches – made a loss, of £5m, for the first time.

Lord Alexander, chairman, said that there had been "some departures from the principles of sound lending".

Mr Tom Frost, who has been group chief executive since 1987 and retires next year, said it was bad banking practice to sack staff for making had loans. Bankers "would not lend any money at all", if they feared their jobs were on the line for lending mistakes. NatWest's losses to the Maxwell empire were lower than expected, at £50m, according to analysts.

Lex, Page 14

Rand Araskog talks to Martin Dickson and Ian Hargreaves

ionable idea of conglomeracy, may be about to pull a dramatic curtain down on this era. But then again, just maybe it won't.
What is certain is that ITI's what is certain is that ITI's board is yet again considering ways to improve the lacklustre performance of its shares by making the company more appealing to investors. And the options passing through the mind of Mr Rand

Araskog, chairman for the past 11 years, include splitting the business into smaller and more clearly identifiable pieces.

"We want our company to be more exciting to the investment community than it is." Mr Aras-kog said earlier this month shortly before ITT reported a 15 per cent drop in 1991 income to \$817m. He complains that its stock, just under \$60, is under-valued by the market yet could trade at \$80 or more "if we get a little perception change".

While carefully unspecific about his plans, he makes plain

about his plans, he makes plans one theoretical option is to split off the group's financial services operations, dominated by the ITT Hartford insurance group, from its manufacturing businesses, which range from auto-motive and electronic components to pumps, valves and paper manufacturing. ITT's Sheraton hotel group

"could easily be a stand-alone company. Its major competitors – Marriott, Hilton, Trusthouse Forte - are all independent com-

Certainly, financial services and insurance companies tend to attract lowly market ratings, which has probably helped to hold down ITT's price/earnings

And there are several precedents for such a move.

But in the case of ITT any split-up would be the end of an

In the 1970s the company came to symbolise the fashion for con-giomeracy as Mr Harold Geneen, chairman, took it on an acquisi-tion spree far beyond its roots in telecommunications equipment manufacturing.

His hattle cry was "synergy", his weapon the agreed takenver, and for a while Wall Street loved

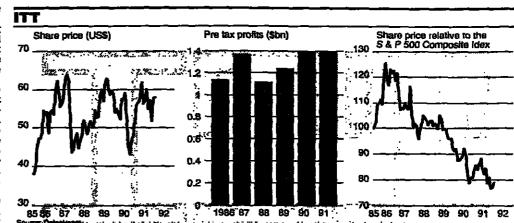
When Mr Araskog took over as chairman in 1980 he inherited a company which was unwieldy, unfocused, heavily in debt and, as Fortune magazine said, "a museum of the investment and management ideas of the 1960s". He spent much of the 1980s

sharply reducing its size and improving its financial shape by selling off dozens of industrial companies and cutting fat at the remainder – while fighting off a succession of corporate raiders keen to carve ITT up completely. His most dramatic move was the much-lauded sale in 1986 of a majority stake in ITT's core tele-communications business to CGE

of France, which merged it with

its own operations to create

TT, the US company which more than any other has symbolised the now unfash-ITT changes image as it seeks riches



Alcatel, the world's largest tele-communications equipment com-

rany.

FIT retains a 30 per cent stake in the company and Mr Araskog, also chairman of Alcatel, says he has resisted pressures to sell the remaining stake because of the "excellent cash flow from Alcatel".

The net result is a slimmer and financially sounder ITT, whose ambition is to be a market leader in each of its product

In spite of this, the group remains out of favour on Wall Street and among institutional

This is partly because of the group's lacklustre profits performance over the past few years, when it has repeatedly failed to

reach its declared goal of a 15 per cent return on shareholders' equity – in spite of a heavy pro-gramme of buying in its own shares.
Admittedly, many of its businesses are cyclical, and have been hit hard by the US recession. Last year's Gulf war knocked the hotels business side-

ways and the Hartford - well regarded for its conservative management and fast-growing life business - has had to grap-ple with a general downturn in the property/casualty sector. Rut in spite of these exter-nal factors, some analysts

**L** question whether all its businesses are being run as hard as they might, and wonder about its strategic focus.

Nor was the group's image helped last year by a row with a leading institutional investor over the size (estimated at up to \$11m) and percentage increase (100 per cent) of Mr Araskog's pay package when the group's financial results were so unin-

Rand Araskog: prepared to

In response to these pressures. ITT is introducing a new pay incentive scheme for 500 senior managers, which emphasises options and ties rewards to ITT's share price performance and the return on equity of its constitu-

In the past, earnings per share was the prime yardstick. The change is popular on Wall Street, where analysts argue that ITT's managers now have a powerful incentive to improve their

financial performance, "It may be a reason for management to really shake things up this time," says Mr Phua Young, of Wall Street's Lehman

Mr Araskog, curiously, downplays the potential impact of the

"I basically believe most peo-ple want to do well. They want to work hard. They want to be a successful company. I think they expect to get paid, but I don't think handing caudy all over the room does any good."

Nor does he yet seem commit-ted to radical change in ITT's conglomerate nature; he is torn, not for the first time, between the big strategic move and pragmatic, incremental approach to improving financial perfor-

On the one hand, he says until now the board has believed the differing qualities of the group's component parts add up to a strong whole. On the other, he acknowledges

there is very little synergy

between the service companies and manufacturing". But with the financial flexibility of ITT's strong balance sheet he does hold out the possibility of a string of new deals, be they acquisitions or joint ventures.
Just last week, for example

Sheraton agreed to buy or lease eight hotels from rival Marriott. Certainly, Mr Araskog showed canny timing with his string of deals in the mid-1980s, which the 60-year-old chairman eagerly recalls in some detail when asked to summarise ITT's strate-gic shifts in the past decade.

But the question which has hung over ITT since the Alcatel deal remains as central today as five years ago: can Mr Araskog, together with two lieutenauts fighting to succeed him — Mr Travis Engen on the manufactur-ing side and Mr Dale Comey at financial services - grow profits as well as his company's long record in cutting a deal? The answer should emerge over the next two years as the US recession ends and the new management pay scheme goes into effect. But the immediate challenge Mr Araskog perceives is to boost the share price.

The aim, he says, is "to make the company more identifiable, and if that means doing things that are a little bit surprising . . then I'm prepared to do that".

### Unilever cautious despite rise in profits to £1.8bn

By Guy de Jonquières, Consumer Industries Editor, in London

UNILEVER, the Anglo-Dutch food and consumer products group, yesterday reported a £10m increase in full-year pre-tax prof-its to £1.79bn (\$3.13bn) after seeing an 8 per cent rise in the fourth-quarter to £473m. In spite of the improved final

quarter figure, which compares with £438m a year ago, Sir Michael Angus, chairman, was cau-tious about immediate prospects: "It is difficult to predict the outlook for 1992 at a time when so many forecasts of recovery appear to have been premature." Str Michael said Unilever had shown resilience in difficult eco-nomic conditions in some of its main markets.

Though volumes on industrial businesses had declined, con-sumer operations had continued to grow, thanks in part to rapid introduction of new products.

The Gulf War and turmoil in the Soviet Union had cost the group sales and profits, while its performance in the US and Britain had been held back by the persistence of a recession which had proved longer and harsher than expected.

While economic conditions in the US were not worsening, there was no evidence they were improving.

Sales rose 2 per cent in the full year to £23.16bn against £22.73bn, and 5 per cent in the fourth quarter to £6.19hn compared with £5.9hn. Operating margins during the year fell to 8.6 per cent from 9 per cent, due to currency move-ments and smaller exceptional gains than in 1990. The group incurred restructuring charges of £70m during the year. Cash flow was strengthened by

tal, which reduced net borrowings during the year to £1.5bn from £1.9bn and cut net interest cost to £276m from £328m.

In Europe, full-year operating profit rose to £1.24bn from £1.23bn on sales of £13.76bn against £13.64bn. In North America volumes were static and operating profit fell to £336m from £364m on sales of £4.77bn up from £4\_63bn. Currency movements led to a

drop in operating profits in the rest of the world to £420m from £455m on sales of £4.6bn compared with £4.46bn.

Full-year earnings per share increased 4 per cent to 61.62p (59.52p). The final dividend is raised to 13.91p (13.3p), bringing the total to 18.94p (18.18p). Background, Page 21 Lex, Page 14

### Elf buys African assets from BP

By William Dawkins in Paris

ELF Aquitaine, the acquisition-hungry French oil group, has bought British Petroleum's refining and marketing businesses in West Africa and Tunisia, significantly boosting its position in the

region.
The businesses include more than 650 service stations in 12 West African countries, representing 14 per cent of the regional market, and three refi-neries in Gabon, the Ivory Coast

and Senegal.

The deal is the latest move in the strategy of Mr Loik Le Floch-Prigent, Elf chairman, for increasing the company's down-stream activities across the world, and so lessening its per-ceived over-dependence on explo-ration and production. It reaf-firms Elf's plans to "reinforce its increasing balance between pro-duction and distribution activi-

ties", said Elf, which is not disclosing the price.
Elf already has substantial

exploration and production interests in Africa: it is active in ests in Africa: it is active in Gabon, Angola, Cameroon, Congo, Niger, Nigeria and Tunisia. It is less strong in marketing in Africa, with 110 service stations in Nigeria, representing 5 per cent of that country's market. However, it has interests in refineries in six countries in the

region.

The French company approached BP, which agreed to sell as part of its policy of focusing on what it considers to be strategic markets. The British oil group said yesterday it did not think the West African assets could be built into a core The price was not material, the company said, and analysts have

estimated it at between £20m (\$35m) and £30m. Over the past year, Elf has acquired refineries and service stations in Britain, Spain and

most recently Germany, where in January it bought Minol, the former East German service station

mer East German service station monopoly.

The group has also been active in developing its upstream activities. It bought 48m tonnes of proven reserves last year, which along with 41m tonnes of discoveries lifted total reserves by 13.6 per cent to 475m tonnes.

For the first time, last year's operating profits — FFri9bn (\$3.39bn), down from FFr20bn in 1990 — were equally split between the upstream and downstream businesses. Three years ago, upstream businesses proago, upstream businesses pro-vided two-thirds of operating



### Lonrho may negotiate an early end to VAG deal

LONRHO, the international trading conglomerate, may negotiate an early end to its Volkswagen/Audi import and distribution operations in the UK which accounts for more than one-fifth of its worldwide The group, which is under-

stood to be pessimistic about the future of all non-Japanese car sales in the UK, believes it may be in its interest to negotiate an early end to the contract, which is not due to expire until the end of 1993.

Seven years ago the pre-tax profit forecasts for 1990 for the business operated by VAG, a Lonrho subsidiary, were around £60m (\$105m). How-ever, last year taxable profits fell by 11 per cent to £20m from £22.6m a year earlier. The alternative being consid-

ered is to negotiate an early end to the contract this year

ELECTRICITE de France

(EdF), the power utility which is western Europe's largest

energy exporter, yesterday reported a steep rise in profits. Net earnings at EdF rose

from FFr100m (\$17.8m) in 1990

to FFr1.9bn last year, before a FFr500m levy collected by its

government owner, on turn-over up by 9.6 per cent from

Mr Pierre Delaporte, presi-

dent, attributed the improve-

ment to a strong rise in demand for EdF electricity

from Britain and Germany, with a steady rise in French

By Robert Taylor in Stockholm

mercial bank, reported a 29.8

per cent fall in operating profits to SKr2.32bn (\$393m) for

1991 after heavy credit losses.

If the credit losses were

excluded from the results, SEB

said it would have lifted profits

SKANDINAVISKA Enskilda by SKrl.625bn to SKrl.86bn.
Banken, Sweden's largest comSEB's rate of return on

FFr156.5bn to FFr171.4bn.

By William Dawkins

assets are valued at £100m and compensation for an early ces-sation of the contract could be worth another £60m. If this happened, Lonrho would be likely to take the extra £50m above the line, boosting this

car market."

The news that Lonrho is con-

sidering negotiating an early end to the Volkswagen/Audi

import and distribution operations in the UK may fuel

speculation the German car-maker planned to take control

of the business at the end of

VW, the leading European car-maker, is keen to control

distribution in all five Euro-

pean large volume markets. In

recent years, it has added own-ership of the Spanish and Ital-

ian operations to its control in

Germany and France Lonrho is adament it has not

been told Volkswagen wants to take control of the business

operated by VAG and it may still renew the contract in 1993.

demand rose by 42 per cent to

the disorganisation of its own

electricity industry and mak-

ing it by far EdF's largest

having surplus nuclear capac-ity. But, the continuing rise in

sales should bring demand in

line with capacity by 1996, said

Mr Jean Bergougnoux, manag-

ing director.
Debts fell by FFr12bn per

cent over the year to FFr214bn and should fall below FFr200bn

by the end of 1992, said Mr Delaporte.

the framework of an

unchanged dividend cost to the

Credit losses were SKr4.76bn last year, 1.5 per cent of all loans and a 144 per cent

increase over the SKr1.95bn of 1990. Year-end unsettled claims

company of SKr883m.

EdF has been criticised for

16.8bn kWh, seen as a mark of

year's overall pre-tax profits.
While the extra UK profits would help mitigate this year's problems over advance corporation tax (ACT), in the long term the loss of the UK business would be likely to add to them. Its 1990 accounts show that there was £79m of unused ACT because the group does not make sufficient profits to offset fully against ACT.

VAG's pre-tax profits accounted for almost 10 per cent of Lonrho's total pre-tax profits of £207m in the year to

Mr Charles Pick, conglomerate analyst at Nomura, said: "The group are indicating that change may not necessarily be

Strong exports help EdF advance

domestic sales. He expected

FFr2bn of profits this year. There was also a fall in debt

charges as EdF used its cash

flow to reduce the huge bor-rowings accumulated during

its ambitious nuclear power

station programme of the past 20 years. Nuclear plant

accounted for 77 per cent of

EdF output last year, making France the world's most

Export sales rose by 18 per

cent to FFr12bn, representing

53.4bn kilowatt hours (kWh)

out of total output of 406.5 kWh. Within this, British

Heavy credit losses put SEB in reverse

equity after tax was 7.5 per cent last year, down from 11.8 per cent in 1990, while earnings

per share dropped to SKr4.50 from SKr7.61. The dividend for series A and C shares is rising

to SKr3.35 from SKr3,30 within

nuclear dependent country.

### **ECC** plans to raise £209m from rights issue a bad thing if it comes, espe-cially if VAG's future profits are impaired by the rising mar-ket share of Japanese trans-plant product in the UK new cor market."

By Andrew Taylor

ECC Group, the world's largest supplier of china clay, yester-day announced plans to raise £209m (£353.3m) from a rights issue. The money is to be used by ECC to redeem \$350m of US auction market preferred

shares (Amps). The group is the second British company to announce plans to redeem a large tranche of Amps. The move will increase nervousness in a controversial sector of the bond market

Several large UK companies, some of which are heavily borrowed and have fallen on hard times due to the recession have issued Amps. The stock has been classified as equity although the shares have many characteristics of debt. Some of the issues made by

UK companies during the late 1980s have run into trouble recently. Ratner, the UK jewellery retailer, last month announced it was suspending payments of all preference div-idends including those on \$250m of Amps. Previous auctions of Ratner preferred shares in the US had failed to

Mr Andrew Teare, ECC's chief executive, said yesterday there was no danger of ECC's credit rating being down-graded. Nonetheless, general concern about the Amps mar-ket had pushed dividends above the cost of other forms of US commercial paper.
"The directors have come to

the view that auction preference shares are no longer a satisfactory long-term source of shareholders funds and that permanent ordinary share cap-ital is a more secure platform for further development of the

The company is offering six of its shares, priced at 415p each, for every 25 already held. The group also announced

pre-tax profits for year to end-December were estimated to be £115.4m, more than 50 per cent higher that the £73.8m earned in 1990. Excluding exceptional items the rise was 7.5 per cept

### GM's European operations slip 8%

General Motors and Ford in Europe

By Kevin Done, Motor Industry Correspondent

THE NET profit of the European operations of General Motors, the world's largest vehicle maker, fell last year by 7.9 per cent to \$1.760n from a record \$1.92bn in 1990.

Despite the modest decline, GM was probably still the most profitable of the big six volume car-makers in Europe last year, with a 7 per cent net profit

margin.
The profits of GM's European operations are a stark contrast to the record losses suffered by the group in the US last year, which totalled \$1.087bn including a \$1.777bn special restructuring provision. The European profits provided a partial cushion for the US losses, but could not prevent the group suffering an overall loss of \$4.5m, the largest annual loss of \$4.5m, the largest annual loss of \$4.5m, the largest annual loss of \$4.5m. est annual loss ever recorded

by a US company.

It is understood the net profits of GM Europe's core Opel/ Vauxhall car and light commercial vehicle operations rose marginally last year to a record \$1.96bn, despite the launch costs for its new generation Astra small family car, GM's best-selling car in

The overall GM Europe profit of \$1.76bn contrasts sharply with the net loss of \$961m announced earlier this rival, for its European Net profits/losses (\$ billion) Source: Company Financial Reports

While GM's European profits have totalled more than \$1.75bn in each of the last four years, Ford has suffered a steep decline from a net profit of \$1.56bn in 1968, to a net loss

of \$961m last year. Ford's European automotive operations accumulated a net loss of \$1.079bn last year, which was partially offset by a net profit of \$118m achieved by its financial services in

Europe. While GM's core Opel/Vauxhall operations achieved a \$1.96bn net profit in Europe, Europe was reduced to \$1.76bn by several factors including: • Its share of losses at Saab

Antomobile, the Swedish carmaker where GM holds a 50 per cent stake and management control.

Saab Automobile had a loss after financial items of SKr2.243bn (\$375m), compared with a loss of SKr3.25bn a year

• The continuing losses suffered by Group Lotus, the specialist UK sports car-maker and automotive engineering

consultant;
• its share of losses at Avis
Europe, the car leasing and
rental group;
• Reduced profits at its GMAC
financial services operations,
and losses at the GM Hughes
Electronics subsidiary in

GM's European turnover rose 3.8 per cent to \$25.36bn from \$24.4bn a year earlier, while its workforce in Europe increased slightly to 128,000 from 127,000 in 1990. Both GM and Ford claimed

record sales volumes in west-ern Europe last year.

GM said its Opel/Vauxhall car sales in western Europe (Opel in continental Europe and Vauxhall in the UK) rose marginally to a record 1.56m from 1.55m a year earlier. Ford said its western European car sales totalled 1.58m, some 2 per

peak set in 1989. Most importantly, Opel captured a 17.2 per cent share of last year's booming German market, with sales in Germany of 717,100.

in the UK, Vauxhall's sales fell 23 per cent to 248,704, while its UK market share was reduced to 15.6 per cent from 16.1 per cent a year earlier.

Overall in western Europe, GM claimed a record car market share for its Opel/Vauxhall marques of 11.6 per cent mar-ginally higher than the 11.5 per cent that was achieved a year earlier.

GM is forecasting sales of 700,000 for its new generation Astra range this year, with of 400,000 since its launch in mid-October last year.

### Management crisis at Porsche averted

By John Griffiths

THE emergency meeting of the supervisory board of Porsche yesterday succumbed to an ultimatum from Mr Arno Bohn, the company's chief executive, and agreed "unani-mously" to extend his contract for another three years.

The board's vote appears to defuse an immediate management crisis at the German sports car-maker. Mr Bohn had threatened to resign unless the board, some of whose members had previously offered his job to a senior BMW executive, gave him a vote of confidence this week.

However, some industry observers last night expressed the belief that the apparent boardroom climb-down could not wholly repair the damage done to Mr Bohn's relationship

with the board by a series of events over the past fortuight.
The crisis was triggered by
the offer of his job to Dr Wolfgang Reitzle, research and development director of executive BMW. the executive carmaker. It is understood this offer was made by Dr Ferd-inand Porsche, chairman of the

Porsche supervisory board. Subsequently, a regular meeting of the Porsche supervisory board last week failed to muster the two-thirds majority needed to endorse the extension of Mr Bohn's existing contract after it runs out at the end of this year.

Almost immediately afterwards, Dr Reitzle, who is seen as heir-apparent to BMW's 63year-old management board chairman, Dr Eberhard von Kuenheim, said he had decided not to take up Porsche's offer. Mr Bohn described the board's actions as "damaging" for the company and said he would "not be available for reappointment" if the board did not give him unqualified backing".

The company last night offered a "no comment" to question's about the long-term implications of the dispute for

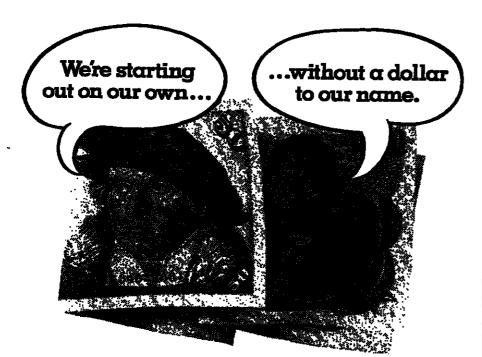
Porsche's management.
The dispute has come at a bad time for Porsche, whose worldwide sales have fallen sharply. Some 4,000 workers are on short time, following a fall in 1991 sales to 26,200 4,000 fewer than in 1990 - and little more than half the 50,000 vehicles sold in Porsche's peak

#### Consortium may acquire 49% Noverco stake

A CONSORTIUM made up of A CONSORTIUM made up of Tractebel, the Belgian energy distributor, and Total, the French integrated oil and gas company, is negotiating to buy a 49 per cent interest in Noverco, the Quebec natural gas distributor, held by two Quebec government agencies, writes Robert Gibbens in Monwrites Robert Gibbens in Montreal.

The 49 per cent stake has been for sale for over a year. The two Quebec agencies, the Caisse de Depot, the public pension plan's investment arm. and Soquip, the provincial energy agency, bought the Noverco block from a Quebec entrepreneur for almost C\$300m (US\$272.7m).
Tractebel and Total may

seek a full 50 per cent.



#### Mark/Yen Futures & Options unfold on the CME-February 26, 1992.

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3 Nassaniaan, 2514 JT The Hague
(The Netherlands)

The Board of Management of Wereldhave N.V. (formerly N.V. Beleggingsmaatschappij Wereldhave) aunounce that the existing "K" and "CF" bearer certificates should be exchanged for new certificates which are obtainable in ations of 1, 5, 25, 50, 500 and 5,000 shares of

Existing certificates should be lodged for exchange in the Netherlands with Pierson, Heldring & Pierson N.V., Kempen & Co. N.V., Rabobank Nederland, ABN AMRO Bank N.V., Bank Mees & Hope NV or Credit Lyomais Bank Nederland N.V. and in the United Kingdom with Morgan Grenfell & Co. Limited, 23 Great Winchester Street, London EC2P 2AX.

The Hagne, February 26, 1992 Board of Management

Den norske Bank AS (lormerly Bergen Bank A/S)

Ven 3,980,000,000 7.3 per cent Notes due 1994

NOTICE IS HEREBY GIVEN pursuant to Condition 6(c) of the terms and conditions of the above-mentioned Notes, that Den norske Bank AS, formerly known as Bergen Bank AS, (the "Bank") has elected to redeem on 3rd April 1992 (the "Redemption Date") ell of its outstanding YEN 3,000,000,000 7.3 per cent Notes due 1994 at their redemption amount. This will be calculated by The Industrial Bank of Japan, Limited, as Calculation Agent on or after 19th March, 1992. otes should be presented and surrendered to the paying agents own on the reverse of the Notes) on the Redemption Date.

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TO THE HOLDERS OF WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF

MARUDAI FOOD CO., LTD. (the "Company")

issued in conjunction with the issue by the Company of

U.S.\$100,000,000 51/s per cent. Bouds 1992 with Warrants NOTICE OF ADJUSTMENT OF SUBSCRIPTION PRICE

NOTICE OF ADJUSTMENT OF SUBSCRIPTION PRICE
Pursuant to Clauses 3 and 4 of the Instrument dated 6th
October, 1988 under which the above described Warrants were
issued; notice is hereby given that as a result of the issuance of
DM150,000,000 49/,% Deutsche Mark Bonds of 1992/1996 with
Warrants of the Company on 13th February, 1992 with an initial
subscription price per share of 1955, being less than the current
market price per share, the Subscription Price of the above described Warrants has been adjusted in accordance with Clause 3
of the Instrument with effect from 13th February, 1992, as follows: Subscription Price before adjustment: Yen 1.230.00 Subscription Price after adjustment:

MARUDAI FOOD CO., LTD. By: The Sumitomo Bank, Limited as Principal Paying Agent

Dated: \_th February, 1992

### Standard & Chartered

Standard Chartered PLC (Incorporated with limited liability in England)

£150 million Subordinated Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the three month period from 24th February 1992 to 26th May 1992 the Notes will bear interest at the rate of 10.4125 per cent per annum.

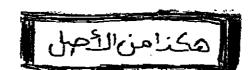
Interest per £5,000 Note will amount to £130.87 and will be paid for value 24th May 1992 against surrender of Coupon No 24.

> Chartered WestLB Limited Agent Bank

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### Murdoch takes command at Fox

By Alan Friedman in New York

MR RUPERT MURDOCH is to assume direct management responsibility for Fox, the Hol-lywood studio and television network, following the resignation of Mr Barry Diller, chair-man and chief executive since

The resignation, which Mr Diller insisted was amicable, caught the US entertainment industry by surprise.

Mr Diller, 50, one of the lead-

ing executives in Hollywood, has successfully built the Fox Television Network, the fourth US national network and one that boasts hits such as The Simpsons. He has also created Fox Broadcasting, which delivers five nights of prime-time programming to 131 US televi-sion stations.

Several entertainment industry insiders expressed scepti-cism about whether Mr Murdoch - whose News Corporation interests include newspapers, magazines and publishing as well as film and television - would actually assume a hands-on role at Fox. Although Mr Murdoch has made Los Angeles one of his main residences, running a Hollywood studio is considered by Wall Street analysts an unlikely role for the Australian horn tycoon

lian-born tycoon.

Although Mr Diller said he and Mr Murdoch had no disagreements, the departing chairman did say he had told Mr Murdoch of his desire to own an equity stake in Fox.
This was not possible, Mr

Diller said, since Fox was wholly-owned by News Corpo-Mr Diller said be had

yearned "to have my own com-pany in whatever shape or size I am comfortable or capable of creating or acquiring". Speculation on Wall Street centred on whether Mr Diller might seek to put together a company to make a bid to acquire NBC Television from

General Electric.

Another possibility raised by analysts was that Mr Diller might join forces with Mr David Geffen, the record and film industry most to leave the film industry mogul, to launch a new venture. Mr Diller described this as speculation, but added: "David Geffen is my friend. Who knows?"

News Corporation does not provide detailed figures for Fox, but the group's last results showed A\$124.38m (US\$93.5m) of operating income from television and A\$67.7m from filmed entertainment divisions, in the six-month period to December 31.

Twentieth Century Fox, the film studio, is expected by analysts to earn operating income of around US\$150m in the financial year to June 30, while forecasts for Fox TV stations call for operating income of around US\$160m in the same

The Fox Broadcasting division is expected to earn between US\$40m and US\$50m in the financial year to

#### Sasol lifts earnings by 14% to R533.4m

By Philip Gawith in Johannesburg

SASOL, the South African synthetic fuel and chemicals producer, overcame depressed market conditions to life earnings 14.7 per cent to R533.4m (\$186.4m) in the six months to the end of December.

Turnover dropped slightly, to R3.96bn from R4bn, as a result of generally lower Operating income was 11

operating income was 11 per cent down, at R\$68.8m, reflecting depressed margins, but this was more than compensated for by lower interest and a lower effective tax rate. Attributable carnings rose by
14.7 per cent to R533.4m.
Mr Paul Kruger, managing director, said the synthetic fuel division had managed to offset cost increases, lower

The division will account for about 40 per cent of operating profit in the current

Mr Kruger said the production increase resulted from better operating efficiencies. The impact of the lower international petroleum product prices was softened by a weaker rand/dollar exchange

The dividend was lifted to 36.5 cents a share from 32.5

#### **Suntory reports** sharp decline

SUNTORY, the Japanese beverage company, yesterday reported a sharp fall in earnings for the year to December 1991, writes Emiko

Terazono. Suntory said that non-consolidated results had fallen 24.1 per cent from the previ-ous year to Y10.9bn due to sluggish sales of its wine and beer divisions and growing costs for funds procurement.

### TNT slips to A\$51m loss as airline price war intensifies

By Kevin Brown in Sydney

TNT, the Australian transport group, yesterday blamed reces-sion and stiff competition for a net equity accounted loss of A\$46m (\$34.50m) in the six months to December. compared with a profit of A\$49m last time.

The loss increased to A\$51m after taking account of abnormal items, mainly provisions for diminution in the value of non-current assets and unrealised foreign currency translation adjustments. Equity-ac-counted revenue increased 2.5

per cent to A\$2.5bn.
TNT said it had been hit by freight transport problems in Australia and South America, and heavy losses in the domes-tic airline operations, jointly-owned with News Corporation, Mr Rupert Murdoch's media

Analysts had expected a substantially smaller interim loss following a loss of A\$115,000 in the first three months, but the group appears to have been badly hit by price-cutting in the Australian aviation market.

Ansett Transport Industries, which operates one of Australines, contributed a loss of A\$25.5m after abnormal items. compared with a loss of A\$7.3m in the earlier period. Morael, which operates the smaller Eastwest Airlines, contributed a net loss of A\$18m, compared vith A\$5.3m a year earlier.

The group said it expected an improvement in the results of its wholly-owned businesses if economic conditions improve as expected in its main markets. However, the direc-tors warned that the aviation businesses would have a "difficult" third quarter because of continuing uncertainty in Australia.

Price-cutting pressure eased following the collapse of Com-pass, a small independent airline, but is likely to increase if Compass or another small air-line returns to the market, as seems likely. The federal government is also expected to announce today that Qantas and Air New Zealand are to be given rights to fly on domestic

routes in Australia. On a positive note, the directors said the flotation of 70.4 per cent of TNT Freightways, the group's US trucking busi-ness, had been completed. The A\$400m proceeds of the flota-tion will enable TNT to further A\$3.7bn to A\$3.5bn during the period. Interest expense declined from A\$110m to

The group also said it expec-ted to complete a joint venture arrangement with five Euro-pean post offices during the

current quarter.
TNT announced recently it has reached agreement with Federal Express, the US freight Federal Express, the US freight carrier, to co-load express freight on daily transatiantic flights. Both initiatives are expected to help reduce the costs of TNT's European express freight network.

TNT said the world recession had reduced revenue growth in the cost of the countries in which

most of the countries in which it operates. Revenue was flat in Canada and South America.

#### Louise Kehoe on implications of the Intel-AMD technology decision product prices and lower refin-ing margins by substantially increasing production voldefences to help them fight us in court. Financially, the deci-sion is also a non-event." FIVE YEAR arbitration

A battle between rival Silicon Valley chip-mak-

ers Intel and Advanced Micro Devices has resulted in a decision that appears unlikely to end bitter disputes over AMD's rights to manufacture Intel-designed microprocessor chips.

The dispute focused on the 386, the chip at the heart of current-generation IBM-compatible personal computers. Until last year, intel was the sole supplier of the 386. However, in April AMD launched its own "reverse engineered" clone of the micropro-

cessor, and has since won a 30 per cent share of the market. In his decision, the arbitrator awarded AMD a "perma-nent, royalty-free, non-exclunent, royalty-free, non-exclusive, non-transferable worldwide right" to any Intel technology that may be incorporated in AMD's reverse-engineered version of the 386.

He found that Intel had breeched a 1882 technology.

breached a 1982 technology-sharing pact with AMD, under which the companies agreed to swap microprocessor and related product designs.

AMD was also awarded nom-

inal damages of \$15m in connection with disputes over ear-lier versions of the chips. Intel. however, will be allowed to keep \$23m in disputed royalty payments made by AMD.

Commenting on Intel's conduct, the arbitrator said he would have awarded punitive damages against Intel if they were within his powers. He would also like to have been able to transfer a portion of Intel's 386 revenues to AMD.



Court ruling fails to defuse chip war

The arbitrator found that the damages to AMD from Intel's violation of the covenant of good faith and fair dealing were "immeasurable", and that he felt unable to "even out the

The arbitrator, a retired Cal-ifornia judge, said his decision was aimed at "aborting the incessant warfare which has gone on between these two companies for the past five

He said: "I intend that AMD be permitted to go forward in its production and sale of the AMD reverse engineered 386 without harassment from Intel from any further law suit. "After five years, it is now the end of the day . . . the parties have had a full and fair

hearing. Now it is time to go However, Intel immediately said it would oppose enforce has given them additional s4.78bn and \$819m in profits.

Open to interpretation: Andrew Grove (left) says the decision changes little; W. J. Sanders sees justice done ment of the portions of the

decision relating to the 386, and that it expected to con-tinue to fight AMD in the courts. One of several pending lawsuits between the compa nies is expected to go to trial A new round of legal battles appears likely when AMD

introduces its own version of the next-generation 486 microprocessor, which was specifially excluded from the arbitration decision. "The remarkable thing is how little real impact this deci-

sion will have on either com-pany," said Mr Andrew Grove, Intel president and chief executive. "We keep the Intel 386 chip and they keep selling their imi-tation of it. The only thing new is that the arbitrator sprinkled

Not surprisingly, AMD took different view of the decision. "Justice has been done," said Mr W. J. Sanders, AMD chair-man and chief executive. "AMO now has the unfet-tered, royalty-free rights to

manufacture and sell the 386 microprocessor. All past and future 386 revenues and profits are no longer under any cloud of legal uncertainty."

Computer-makers have wel-comed AMD's entry into the 386 market. Competition between the two companies has forced intel to lower its prices, fueling a rapid decline in personal computer prices that is boosting sales of computers and computer software.

ith both Intel and AMD hailing the decision as a victory, there is, however, widespread confusion within the industry over what the decision means. Both companies can be expected to attempt to use the ruling to gain market advan-

wall Street analysis, many of whom had anticipated a much larger monetary award said Intel got off lightly with an award much smaller than the \$2.2bn AMD was seeking. Since its introduction of the 386 cione, AMD has posted record sales. For 1991, the coupany reported revenues of \$1.bn and profits of \$145.3m,

while Intel also unveiled

Overall sales edged up 0.5 per cent to Y800.1bm. Beer sales, accounting for 25.9 per cent of the total while distilled liquor represented 52.3 per cent of overall sales.

### Setback for electronics groups

By Emiko Terazono in Tokyo

THREE leading Japanese electronics groups yesterday announced sharp downward revisions in profit forecasts for the current year ending

Matsushita Riectric Industrial, Hitachi, and Oki Electric Industry became the latest companies to issue warnings of lower earnings due to a wors-ening market for semiconductors, computers, communication equipment and consumer electronics products.

The announcements follow the spate of downward earn-ings revisions by other large Japanese companies such as NEC and Fuitsu. Sony, the consumer electronics and entertainment group, said last week its parent company would post a full-year operat-ing loss for the first time since it was listed on the Tokyo Stock Exchange in 1958.

Japanese electronics-makers have suffered from falling semiconductor prices, espe-cially of the 4 megabyte D-Ram chip. Intensifying competition

in the computer market has squeezed profits from the US and European markets. In Japan, the stock market slump has prompted financial

institutions and brokers to cut back or postpone investments in computer network systems. The strength of the yen against the dollar has also contributed to the fall in profits.

Matsushita said consolidated

pre-tax profits for the year to March would fall 43 per cent from a year ago, to Y340bn (\$2.65bn), 26.6 per cent lower than it forecast three months

Overall sales were revised downward to a 12 per cent rise to Y7,360bn, down from a 14 per cent increase, and after-tax profits are expected to decline year-on-year 49 per cent to

Matsushita said its financial balance sheet would deteriorate due to a decline in funds for management due to the squeeze on profits. It expected a foreign exchange loss of Y60bn, and added that depreci-

ation costs for MCA would total some Y20bn.
The company also released dismal third-quarter results.
Consolidated pre-tax profits fell
32 per cent to Y125bn on a 12
per cent rise in sales to

Y2,005bm. After tax profits fell 36 per cent to Y52.4bm. Hitachi, announcing its second downward revision for the current year, projected a 37 per cent decline in consolidated pre-tax profits to Y355bn. The company expected sales to remain flat at Y7,700bn.

Oki Electric Industry said it was hard hit by sluggish mand from banks and securities houses for its information processing equipment, the company's main product. Oki said a sharp fall in domestic demand had hurt its profitabil-

The company forecasted a 91.1 per cent drop in consoli-dated pre-tax profits to Y2bn, on a 1.4 per cent rise in sales to Y670bn. After-tax profits are expected to plunge 95 per cent

### **Dull final** quarter at large US

store chains By Nikki Tait in New York

TWO LARGE US department store chains, Arkansas-based Dillard's and May Department Stores, unveiled earnings fig-ures yesterday which provided further evidence of a dull final quarter in the retail sector. May, which operates 318 department stores and almost 3,300 Payless ShoeSource outlets, said after-tax profits in the 13 weeks to February 1 rose only modestly, from \$252m a

year ago to \$266m. Sales in the important fourth quarter rose from \$3.28bn to \$3.36bn, but on a same-store basis there was an overall 0.5 per cent drop, reflecting a 0.7 per cent fall in the department store division and a 1.5 per cent gain on the shoe store

side.
For the year, May saw net profits of \$515m, against \$500m in 1990-91, on sales of \$10.40n, against \$9.86bn. Its shares

gained % at \$57%.

May, which opened 14
department stores and 328 Payless outlets last year, said it planned to add six department stores and 270 Payless units in the current 12 months. At Dillard's, which owns 198 department stores, mainly in

the midwest and south-west. after-tax profits in the fourth quarter totalled \$93.3m, against \$92.3m. Sales reached \$1.32bu against \$1.22bn, but same-store sales rose a modest 2 per cent. For the year overall, sales rose 12 per cent to \$4.07bn, with comparable-store advancing by half this amount. Net profits for the period were \$206.2m against \$162.8m. The drab figures follow news

of a fourth-quarter profits fall at Nordstrom, the Seattlebased fashion store chain.

### U.S. \$20,000,000 SOFINLUX SA, LUXEMBOURG Floating Rate Notes due 1999

Notice is hereby given that for the period from 31st January, 1992 to 29th January, 1993 the notes will carry an Interest Rate of 54% per annum The interest payable on the relevant interest payable on the relevant interest payable on the 1905 Manuary, 1993 will amount to. U.S.\$53.308.3334 per U.S.\$100.000 recommit.

### Deere & Co reduces shortfall

By Barbara Durr in Chicago

DEERE & Co, the US heavy equipment-maker, managed to reduce first-quarter losses, thanks largely to improved rices and greater efficiency.

The company suffered a net loss of \$19.9m, or 26 cents a share, in its 1992 first quarter, ended January 31, compared with a loss of \$43.1m, or 57 cents in the same period.

year ago. Worldwide production was the same as last year's during the first quarter, but net sales rose to \$1.45bn from \$1.43bn

Mr Hans Becherer, chair-

cents, in the same period a

moderated.

man, said first-quarter results were affected by continued weak demand and efforts to reduce company and dealers' inventories. But heavy discounting to improve sales has

Lawn and grounds care equipment sales and production were higher, while agricultural equipment vol-umes were down in the first

Prospects for the rest of 1992 are uncertain due to the recession and low customer confidence. While the North American agricultural market would

appear to be poised for an upturn, farmers' buying attitudes still seem cautious, the

company said. Retail demand in overseas markets is expected to decline in 1992, reflecting European farmers' concern with the Gatt

Deere has consequently reduced its scheduled production tonnage this year by about 5 per cent compared with that of 1991. Deere's lower production levels are expected to result in further reductions in dealer and company invento-

### Pioneer profits reach record A\$90m

PIONEER, the Australian building products and petro-leum group, has reported record net profits of A\$90m (\$67.50m) after abnormal items for the six months to December, a rise of 2.4 per cent on the corresponding period last year. The result included an abnormal profit of A\$37m on the sale of its holding in Ampol Exploration, an Australian

by a provision of A\$40m against the book value of US assets, which was also treated as an abnormal item.

Pioneer said it had restated profits for both periods to exclude contributions from Ampol Exploration, the sale of which was completed for accounting purposes in July. The group said sales revenue fell 13 per cent to A\$2.5bn. Revenue from building mate-

weakness in Australian mar-

Petroleum refining and marketing operations revenue fell 17 per cent to A\$1.3bn, princi-pally reflecting a fall in crude oil prices at the end of the Gulf

Directors declared an interim dividend of 7.5 cents a share, unfranked because of available tax losses incurred in

#### petroleum company. However, the abnormal profit was offset rials was down 2 per cent to Moody's lowers Wells Fargo rating

By Alan Friedman in New York

MOODY'S, the US credit-rating agency, yesterday downgraded the rating on Wells Fargo, the big California commercial banking group, in the latest indication of how the US investment community is reacting to the weakening of the California economy. The downgrade, affecting about \$40n in securities, brings its long-term senior debt rating down to BAA1 from Single-A2, and the rating on commercial

paper to Prime-2 from Prime-1.
The long-term deposit rating of Well Fargo Bank, the principal operating subsidiary, was lowered by Moody's from Double-A3 to Single-A2.
Moody's said the action reflected "the uncertain outlook for asset quality, espelook for asset quality, espe-cially in Wells' sizeable portfo-

ornia that continued to generate strong earnings.
The bank, traditionally seen as an excellent performer, was subjected to a tough inspection

by US bank regulators last December. This led to unusually heavy bad debt provisions, especially in the commercial real estate loan portfolio. Its 1991 net earnings were

lio of commercial real estate loans". Moody's noted, how-

ABSA, South Africa's largest banking group, has lowered its offer for Bankorp by R100m (\$34.9m) to R1.2bn following a due-diligence investigation on the latter, writes Philip Gawith.

Last month, ABSA announced it was to take over Bankorp, the fifth largest bank, in a deal which would make the enlarged ABSA easily the country's largest, with

assets of over R80bn.
Under the revised offer,
ABSA will pay 288.5 cents for
each Bankorp share, compared
with the original offer of 312.5
cents. The first offer was made
conditional on the outcome of

ing a due-diligence investiga-tion – that it would pay 340 cents per Momentum Life share, instead of the 359 cents originally announced. This deal was precipitated by

Commercial Risk Guaranteed by Banco Itaú S.A.

### ever, the bank had a formida-ble retail franchise in Calif-ABSA offer for Bankorp cut to R1.2bn

a due-diligence probe.
The R1.2bn purchase will be funded through the issue of 107.55m new shares in ABSA at R11.25 each, compared with the original offer of 116.5m shares.

Bankorp shareholders will receive 100 ABSA shares for every 390 Bankorp shares, com-pared with 360 previously. In a related transaction, Sankorp announced - also follow-

ABSA's takeover of Bankorp.

These securities have not been registered under The Securities Act of 1933 and may not be offered or sold in the United States or to a US person, absent registration or an applicable exemption of the registration requirement.

This announcement appears as a matter of record only



RIPASA S.A. CELULOSE E PAPEL

US\$40,000,000 12 per cent. Guaranteed Notes due 1993

Arranged by

Lead Managed by

Morgan Grenfell & Co. Limited

BNP Capital Markets Limited

Morgan Grenfell & Co. Limited

Distributed through

Ourinvest Capital Inc. VestcorPartners Limited Merrill Lynch International Limited Banco Bamerindus do Brasil Banco Nacional S.A. Marcep Overseas Limited

**US\$10,000,000 Series A Notes** Commercial Risk Guaranteed by Banco Credibanco S.A.

US\$10,000,0000 Series B Notes Commercial Risk Guaranteed by

Banco Francès e Brasileiro S.A.

US\$10,000,000 Series C Notes Commercial Risk Guaranteed by

BCN-Barclays Banco de Investimento S.A.

US\$5,000,000 Series D Notes

US\$5,000,000 Series E Notes Commercial Risk Guaranteed by Banco Inter-Atlântico de Investimento S.A.

MORGAN GRENFELL

Financial Adviser to the Issuer

Banco Credibanco S.A.

December 1991

All of these securities having been sold, this announcement appears as a matter of record only.

February 26, 1992

14,000,000 Shares



Common Stock

These securities were offered internationally and in the United States.

International Offering 4,200,000 Shares

**Credit Suisse First Boston Limited** 

Lazard Brothers & Co., Limited

Lehman Brothers International

Morgan Stanley International

**BNP Capital Markets Limited** County NatWest Securities Limited Paribas Capital Markets Group ABN AMRO Bank N.V. COMMERZBANK AKTIENGESELLSCHAFT

Deutsche Bank

**Swiss Bank Corporation** 

Cazenove & Co. Dresdner Bank N M Rothschild & Sons Limited Banque Bruxelles Lambert S.A. Daiwa Europe Limited

Société Générale

**UBS Phillips & Drew Securities Limited** 

United States Offering 9,800,000 Shares

The First Boston Corporation

Lazard Frères & Co.

Lehman Brothers

Morgan Stanley & Co.

Alex. Brown & Sons Donaldson, Lufkin & Jenrette Invemed Associates, Inc.

Kidder, Peabody & Co.

A.G. Edwards & Sons, Inc. Merrill Lynch & Co.

**Montgomery Securities** 

Oppenheimer & Co., Inc. PaineWebber Incorporated

Sanford C. Bernstein & Co., Inc.

Brean Murray, Foster Securities Inc.

Cowen & Company

Janney Montgomery Scott Inc

Ladenburg, Thalmann & Co. Inc.

Raymond James & Associates, Inc.

Stifel, Nicolaus & Company

Sutro & Co. Incorporated

First Analysis Securities Corporation

Rothschild Inc.

Martin Simpson & Company, Inc.

Wessels, Arnold & Henderson

#### **CALLING** OF AN EXTRAORDINARY SHAREHOLDERS MEETING

Holders of Credito Italiano savings shares are called upon to attend an Extraordinary Shareholders Meeting to be held on 12 March 1992 at 11.30 a.m. in the Bank's registered office in Genoa, Piazza De Ferrari (entrance in Via Dante 1). If necessary a second and a third sitting will be held on 13 March 1992 at 6.30 p.m. and 14 March 1992 at 9.00 a.m. respectively at the same address, to discuss the following

Agenda

Appointment of a single Representative of holders of savings shares, emolument due to same and subsequent resolutions.

All shareholders who possess savings shares may attend the meeting, providing they have deposited their shares with any branch of Credito Italiano or with Monte Titoli S.p.A., at least five days before the date scheduled for the extraordinary meeting.

THE BOARD OF DIRECTORS



### 

New Zealand

£200,000,000 Floating Rate Notes 1997

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 24th February, 1992 to 26th May, 1992 the Notes will bear interest at the rate of 10½ per cent. per annum Coupon No 27 will therefore be payable on 26th May, 1992 at £1,303.96 per coupon from Notes of £50,000 nominal and £130.40 per coupon from Notes of £5,000 nominal.

S.G. Warburg & Co. Ltd. Agent Bank

#### **Residential Property** Securities No. 1 PLC

£200,000,000

Mortgage Backed Floating Rate Notes 2018 The rate of interest for the three month period 24th February, 1992 to 26th May, 1992 has been fixed at 10.6625 per cent. per annum, Coupon No. 16 will therefore be payable on 26th May, 1992 at £2,680.19 per coupon.

erest charging balances of Mortgages redec previous Interest Period: £5,565,135.04. Aggregate interest charging balances of Mortgages rede 24th February, 1992: £183,894,140.36.

The aggregate principal amount of Notes outstanding as at 24th February, 1992: £126,800,000. S.G.Warburg & Co. Ltd.

Agent Bank 

### INTERNATIONAL CAPITAL MARKETS

### Over half swaps cases settled out of court

By Richard Waters

MORE than half of all legal disputes between banks and UK local authorities over interest swap agreements are now believed to have been been settled, according to banks involved in the transactions.

After a wave of unannounced, out-of-court settlements in recent months, some authorities are understood to have completely disentangled themselves from the mass of legal actions, which last sum-mer stood at about 200. Other authorities and banks hope substantially to have resolved outstanding claims by the end of this year.

Settlement of the actions would bring to an end the protracted and often heated dispute between banks and authorities over the swap agreements, under which banks stand to lose as much as £500m. A year ago, the House of Lords in the UK ruled that authorities were acting outside their powers in entering swap agreements and so could not make payments to banks under the agreements. However, banks have contin-ued to push for restitution ~

the return of payments they had made under the agreements. These claims are believed to amount to 20 per cent to 25 per cent of the

banks' losses. Two settlements announced earlier this week, involving Barclays and Midland, follow many more confidential settlemany more confidential settle-ments in recent months, bank-ers said. Midland, for instance, said it had settled many of its claims, and had only 11 out-standing. Citicorp, meanwhile, said it had settled more than three-quarters of claims.
The London Borough of

Hammersmith and Fulham the most active of the authorities in the swaps market - said it had already settled claims with 29 banks. According to banks involved

in the settlements, local authorities are generally agreeing to repay principal amounts to banks, but are not paying the full amount of interest claimed on these amounts, which in some cases are substantial.

The Barclays and Midland settlements bring to an end two cases which had been singled out by the High Court as test cases. Four others are due in the weeks ahead, involving Samuel Montagu, Citicorp Chemical Bank and the National Bank of North Caro-Opinions are divided among

banks over whether this week's arrangements will prompt out-of-court settlements in these cases too, or whether they would increase pressure on authorities to go to court to get a firm legal ruling on which they could

act.
The outstanding cases will also determine the liabilities of authorities which entered swap agreements with each other - according to one banker, an even larger issue than their Habilities to banks.

#### Thai Airways appoints 76 underwriters By Victor Mallet

in Bangkok

THAI Airways International, the national airline, yesterday appointed 76 underwriters to manage next month's offer of 7 per cent of its shares to the public. The deal, valued at about \$237.5m, includes almost every licensed broker and sub-broker in Thailand.
"We felt it important to have broad participation by the nation's financial community," said Air Chief Marshal Kaset Rojananil, Thai chair-man and the head of the air

force. He described the offer of 95m shares at Bt60 (\$2.50) each as "the largest public offering involving the largest number of underwriters in the history of the Stock Exchange of Theilands

of Thailand". Managing underwriters are Bangkok First Investment and Trust, Dhana Siam Finance and Securities, Nava Finance and Securities and Thai Investment and Securities.
In the first such broadly

based offering in Thailand, That is offering 40m shares to small investors through five commercial banks - Bangkok Bank, Krung Thai Bank, Slam Commercial Bank, Thai Farmers Bank and Thai Military

Mr Kaset said the offer, to be promoted by a series of "roadshows" throughout Thai-land, would allow the public to participate in a large blue-chip enterprise, mobilise private capital to support Thai's long-term growth, help the company's image and develop Thailand's capital markets. Mr Prachitr Yossundara,

chairman of Dhana Slam, said the offer would contribute sig-nificantly to share ownership in the country.

### Consumer confidence fall boosts market sentiment

By Patrick Harverson in New York and Richard Waters in London

A BIG drop in consumer confidence provided a welcome boost to US Treasury market sentiment yesterday, although the pressure of fresh supply following the afternoon auction of two-year notes pegged back early price gains. In late trading, the bench-

mark 30-year government issue was up if at 100%, yielding 7.938 per cent. The two-year note was also firmer, up if at 99it, to carry a yield of 5.374

In the morning, the Conference Board's report that its consumer confidence index fell to 46.3 in February - the low-est seen since 1974 - from 50.2

est seen since 1974 — from 50.2 in January, surprised the market, which had been expecting the index to rise.

The report overshadowed the second leg of the Federal Reserve chairman's Humphrey-Hawkins testimony to Congress. Although Mr Alan

#### GOVERNMENT **BONDS**

Greenspan made some mildly encouraging noises about the economy, he warned that it was too soon to assume that the recovery was assured, and hinted that further monetary stimulus may be required

stimulus may be required.

After several weeks of steady losses as hopes for more interest rate cuts dwindled, this was exactly what the market wanted to hear. The results of the \$14.25bn auction of twoyear notes, however, meant prices fell back from their highs.

			Red	Pries	Change	Yleid	Week 198	980
		Coupon		99,9121	+0 451	10 01	10.10	10 0
AUSTRALI	<u> </u>	10.000	10/02		F0 350	0.63	ē 73	20
BELGIUM		9.000	05/01	101.9000		8 45	8 49	13
CANADA "		8.500	04/02	100.3800	+ 0.450		8.59	14
		9 000	11/00	102.5200	+ 0.200	0.5/		
DENMARK FRANCE	BTAN	8.500 8.500	03/97 T1/02	99.0726 100.1800	+ 0.158 + 0.320	5.72 5.45	8.76 8.46	8.6 0.0
GERMANY	OAT	8.000	01/02	100.6900	+0.270	, B9	7 12	7.5
ITALY		12,000	02/02	98.9500	+0.210	12 181	572	55
JAPAN	No 119 No 129	4.500 5.400	03100 D8188	95,1302 105,6261	-0.171 + 0.207	5.75 5.36	5 39	5.2
NETHERLA		8.250	02/02	99.9200	+0.380	8.26	10.78	8.3 10.7
SPAIN		11,300	01/02	103.2700	+0.120	10.73		
UK GILTS		10.000 9.750 9.000	11/96 08/02 10/08	102-04 102-30 99-02	+ 3/32 + 7/32 + 11/32	9.42 9.31 9.11	9.40 9.31 9.11	9.6 9.4 9.2
US TREAS	URY .	7.500 8.000	11/01	100-09 101-18	+ 3/32 + 8/32	7 46 7 95 Ida: Local	7 42 7.87	7.2 7.7

ross (including witholding tax at 12.5 per cent payable by non-residents.)
Set US, UK in 32nds, others in decimal

Technical DecalATLAS Price Source

gained around half a percent-age point on the day, after the market had earlier shown some disappointment that the UK authorities did not follow their Spanish counterparts in

their Spanish counterparts in cutting interest rates.

The expected rate cut in Spain, of % point, provided the opportunity for the UK to steer rates lower, too: but with a national budget announcement two weeks away and an election campaign about to get into fall caping political considerfull swing, political consider-ations appeared to determine that now was not the optimum time for a rate cut.

Early firmness in the gilts market eased as a result. helped by rumours of a poor opinion poll showing for the Conservative government. The year notes, however, meant prices fell back from their highs.

EUROPEAN markets responded in knee-jerk fashion to the news from the US, with most markets bouncing significantly higher in late trading.

UK government bonds

Conservative government. The news from the US later, though, brought a busy afterneon's trading — with around 31,000 contracts in the March gilts future traded on Liffe — and a sharp upturn. The Liffe future ended at around its high for the day of 97.30, up from its opening of 97.18.

■GERMAN government bond futures also jumped in late trading, but failed to break out of their current trading range.
In a quiet morning, the
March bund futures contract firmed from its opening of 87.74 to around 87.30, before the news from the US pushed it up to its resistance level of

With inflation data due this week, the up-turn brought lit-tle trading from investors, though the heavy day on the futures market suggested that traders were positioning themselves for future buying.

■AFTER a weak start to the week. Japanese government bonds advanced in early trad-ing in Tokyo as hopes of an official discount rate cut were

rekindled. However, the early advances were lost during the afternoon, with the benchmark bond No 129 closing at around the same level as Monday, when it closed with a yield of 5.385 per

dicago ber

CON CROUPS

主がこれが変えて経過機構

### Philippine group in \$28m GDR plan

By Jose Galang in Manila

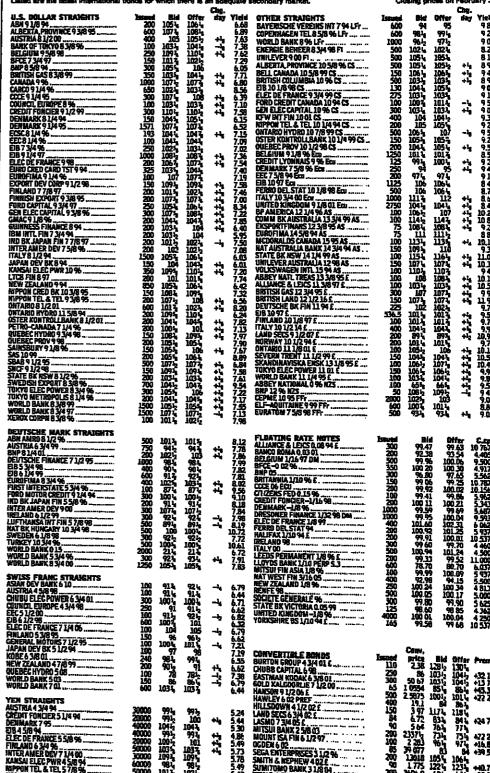
AYALA Corporation, a leading Philippine property-based con-glomerate, plans to launch a global depository receipt (GDR) programme worth about \$28m. The company said it will

offer 34m class B common shares as GDRs in March. The GDRs will be offered in Hong Kong, London and New York. Lead underwriters for the offering are Salomon Brothers and Baring Brothers. Ayala is the holding com-pany of one of the Philippines' largest conglomerates, whose interests span property devel-opment, food production, banking and insurance.

In announcing the GDR programme yesterday, Ayala said its unaudited consolidated net income for 1991 was about 2.1bn pesos (\$87m).

Ayala Land, the property developer in the group and one of the most actively traded stocks on the local exchanges, sold 96m of its class B common stock in July 1991, the main portion of which went to the international market. Its unaudited net income of 800m pesos for 1991 exceeded by about 26m pesos projections made during its offering period last year.

FT/ISMA INTERNATIONAL BOND SERVICE



### INTERNATIONAL CAPITAL MARKETS

### Market subdued despite Halifax £100m addition

By Simon London

 $\mathcal{M}(\alpha_{1,1})_{R_{R_1}}$ 

VERNMENT BOR

im GDRd

SP NEWSCE

NEW issue activity remained subdued in the international bond market yesterday, with volatility in domestic bond markets keeping most issuers and investors on the side-lines. Halifax Building Society became the second UK finan-cial institution to raise capital this week, following a £100m subordinated debt issue by Abbey National on Monday.

#### INTERNATIONAL **BONDS**

The Halifax added £100m to its outstanding £150m subordinated debt issue maturing 2014. The new 11 per cent bonds were priced to yield 152 basis points over long dated UK government bonds, a pick up of around 10 basis points over the outstanding issue.

This was generous enough to tempt a range of UK institutional investors into the deal, which was wholly underwritten by Warburg Securities. The deal becomes the largest unsecured issue at the long end of the sterling market. There have been few new

long-dated bond issues in the

sterling market this year. Most companies have preferred either to defer new issues until UK interest rates have fallen again or to lock into current rates at shorter maturities.
As a result, yield spread of

outstanding issues have nar-rowed in the secondary market. For example, the outstand-ing Halifax bonds were trading at a yield spread of 175 basis points over gilts in early December, against 142 basis points before the new paper

was issued yesterday.

The proceeds of the issue count as non-core capital for Halifax, strengthening its balance sheet and increasing its capacity to lend. However, it does not have an urgent need for capital. Its total capital ratio is well in excess of 8 per cent of risk weighted assets, the minimum ratio required under international banking supervision rules, which build-ing societies will have to meet

next year.

By the close of trading, yesterday's issue was trading at 100.875 bid, having been re-offered to investors at a fixed price of 100.592, where the yield spread was 147 basis points

Elsewhere, new equity-linked bond offerings by Japa-nese companies continued to flow. Syndicate officials expect a stream of new deals in the run up to the Japanese finan-cial year end on March 31.

Six deals were launched in dollars, D-Marks, Ecu and Swiss francs with the companies raising \$650m equivalent. Demand is well below the levels seen at the peak of the financial boom in Japan, although most of the deals launched yesterday received a

reasonable reception.

For example, Nisshinbo Industries' Ecul00m five-year issue, lead managed by Nikko Europe, traded up from an issue price of par to stand at 100.40 bid by the close of trading. Autobacs Seven Company's \$100m five-year issue, lead managed by Nomura Interna-tional, traded up to 101 bid, also from an issue price of par.

Nomura Bank International, the arm of the Japanese securi-ties house recognised under UK banking legislation as a deposit-taking institution, has been awarded a top A-1+ credit rating for short-term debt by Standard & Poor's, the US credit rating agency.

Borrower	Amount m.	Coupon %	Price	Maherity	Fees	Book runner
US DOLLARS Abbey Nat.Trees.Services(b)‡† Autobacs Seven(a)‡	106 100	(b) 3	100.155 100	1998 1996	2/4/1/2	Lehman Bros. Nomura Int.
STERLING Halilax Building Soc.(c)f	100	11	102.497	2014	212/13	Warburg Secs.
ECUs Nisshinbo Industries(a)◆	100	4%	100	1996	24/112	Nikka Europe
D-MARKS Caska Uolchiba(a)† Sektsui Plastics(a)†	100 100	43g 43g	100 100	1986 1986		Nomura Bk GmbH Yamaichi Bk GmbH
SWISS FRANCS Aoyama Trading(d)**§ Totalsu Kogyo(e)***	450 40	3 35 <sub>2</sub>	100 100	1995 1996	:	SBC Yamaichi Bk (Switz)

### Chicago begins test of anti-fraud device

THE Chicago Board of Trade and the Chicago Mercantile Exchange, the world's two largest futures markets, begin tests today on a hand-held electronic trading card, reports

Barbara Durr in Chicago. The two exchanges have spent some \$6m developing Audit, which promises to help

resolve many of the regulatory issues of trading fraud. It will replace the time-honoured practice of scribbling on paper cards and create a tamperproof trail for each trade. Traders are known to have mixed feelings about the electronic trading device partly because they fear they will not

FT-ACTUARIES SHARE INDICES <sup>8</sup> The Financial Times Ltd 1992. Compiled by the Financial Times Ltd

be able to work as quickly in fast moving markets. Although testing was due to begin last year, development delays forced a postponement. The first prototype, a touchs-creen model from Spectrix, will be tried in the wheat pit of the CBOT and the D-Mark pit of

### Malaysian offering for overseas

**By Simon London** 

investors

INTERNATIONAL investors have the first opportunity to participate in a primary offering of shares in a Malaysian company next month with the privatisation of Tenaga Nasional, the country's electric power utility.

#### INTERNATIONAL **EQUITY ISSUES**

The Malaysian government is offering 23 per cent of the company for sale, raising US\$1.3bn from the sale of 685m shares. Around 10 per cent of the shares will be offered to international investors through an open tender managed by Baring Brothers, Daiwa and Salomon Brothers

which starts on March 2. The deal will be priced this weekend, and bankers are expecting a minimum tender price of around M\$4.50, with shares offered to domestic investors at a similar price. However, higher bids are expected as international investors move to secure a stake in an important part of

At the minimum tender price the company will be valued at around M\$13.5bn, against a total equity market capitalisation of M\$150bo.

In 1990, Malaysia Telecom was privatised on the domestic equity market, although last year the government made a \$190m offering of bonds Elsewhere, Instituto Ban-

cario San Paolo di Torino, the Italian banking group, today starts presentations to interna-tional investors in preparation for its L1.250bn (\$1.04bn) equity offering.
The deal will increase San

Paolo's share capital to L6,250bn, making it Italy's largest banking group. A con-sortium of banks led by Mediobanca, the Milan-based merchant bank, are handling the transaction with separate banks heading regional syndicates.

The deal will be priced or March 9 and the shares are expected to be offered at around L12,000 to L14,000.

### Mexico hopes for market stability

Damian Fraser on the country's reform of compulsory savings funds

HE Mexican Congress has approved sweeping reforms to the nation's compulsory pension and housing funds.

ing funds.
The changes are expected to boost domestic savings by \$1bn in the first year of operation, and in the longer term could make Mexico's notoriously volatile capital markets more sta-

The new law, which becomes binding in May, requires employers to pay 2 per cent of employees' salaries into personal pension funds adminis-tered by the commercial banks, and 5 per cent of salary into personal housing funds administered by a reformed Infon-avit. Mexico's housing agency. The scheme will run along-side the existing pay-as-youearn social security system, under which 7 per cent of a worker's salary is paid into a

The reformed pension fund scheme is likely to prove a bonanza for Mexico's 18 com-mercial banks, 11 of which have just been privatised, with the remaining seven on the

government-administered

The hanks will administer and receive commissions for -10m to 12m new bank accounts as a result of the initiative. Mexico's central bank reckons the reforms will raise roughly 3bn pesos (\$1bn) in savings in the first year.

The pension funds will almost certainly be allowed to

be partially invested in both the debt and equity of private sector companies, according to the Bank of Mexico, although the exact regulations govern-ing the new law have yet to be worked out.

Since the pension fund man-agers will be investing over a 30-year period, they are likely to buy long-term bonds from Mexican companies, says the bank. Until now, Mexican companies have been forced to borrow over the short term, partly

financial sector can barely conceal its glee because of Mexico's high infla-tion rate, but also due to the speculative interest of many Mexican investors.

equally great.
At present, says Mr Charles
Alexander, of N. M. Rothschild.

As a result, says Mr Alexander, it is often difficult to sell Mexican stocks since there are few investors willing to buy

Under the scheme, all workers will be able, if they wish, to invest their money in the cen-tral bank - where the return will be fixed quarterly at an annual rate of 2 per cent or more in real terms, depending on the finance minister's interpretation of market conditions. Alternatively, workers can place their money in an invest-

buyers also has exacerbated

sen bank - but which could be The business sector is angry it has to pay

out another 2 per cent of wages, but the

The effect of the reform on the stock market could be

the investment bank which has a large representative office in Mexico City, there are no forced buyers of Mexican domestic shares, as institutions in, say, the US and the UK, are forced to buy their domestic stock.

Mexican equity when the Mexican stock market falls. The lack of long-term institutional managed by either banks, insurance companies or stockbrokerages. Investment funds will face restrictions on how much of the money can be invested in any given asset s. but investments in equities and corporate bonds will. it appears, be allowed.

orkers can, if they want, top up their savings beyond the 2 per cent of their salary. At present, most Mexicans do not have bank accounts, so if they want to save money they often buy consumer durables, such as cars, televisions or even bricks. Since workers will now be able to channel savings into the financial sector, Mexico's low savings rate should

The reforms of Infonavit are just as radical, since they will turn a construction agency into a housing bank. As in the past, each employer will pay 5 per cent of workers' salary into Infonavit. But workers will receive accounts detailing their credits, curbing under-invoicing by companies that had een common in the past. Infonavit will charge interest

of 4 per cent in real terms to those borrowing to buy their homes. After deducting expenses, it will pay an interexpenses, it will pay an inter-est rate to creditors that lets the agency break even. Those not eligible or able to acquire loans from Infonavit - mainly the relatively well-off - can draw down their credits at Infonavit after retirement. The reforms have upset Mexico's labour unions, will no longer be able to hand out houses to workers, or receive kickbacks for favours

Likewise, the business sector, while generally supportive of the changes, is angry it has to pay out another 2 per cent of wages without any increased wages without any increased productivity. By contrast, the financial sector, which stands to gain the most, can barely conceal its glee.

The central bank reckons the additional pension savings will increase the average worker's pension by 25 per cent - although this would only apply to employees who had sub-scribed to the scheme through

### European pension fund assets 'to double'

By David Waller in Frankfurt

MORGAN Grenfell, the investment banking subsidiary of Deutsche Bank, is predicting 50 per cent growth in continental European pension fund assets over the first five years of the current decade, to \$997bn in 1995 from \$675bn in

Speaking in Frankfurt at Deutsche Bank's headquarters. Mr Michael Dobson, chief executive of Morgan Grenfell, said the highlight of this expansion would be diversification of pension funds into non-domestic investments, where the total under management was likely to double to \$100bn over the five year period from \$48bn. This growth was likely to be rather than in-house. At pres-

higher than anywhere else in the world except Japan and was likely to fuel demand for the services of Europe-based fund managers, Mr Dobson said, arguing that the opportu-nities would be greater because approximately 10 per cent of all contracts to manage pen-sion funds are expected to change hands each year.

He predicted that the whole continental European pension fund market would follow the trend already set by the US and the UK, with a greater emphasis on active performance and an increasing ten-dency for pension funds to be managed by professionals ent, 80 per cent of continental European funds are managed by companies themselves and 20 per cent by independent pro-fessionals, almost the opposite of the picture in the UK. In continental Europe, "pas-

sive investments" in bonds and private placements typically constituted around three-quarters of a pension fund portfolio, Mr Dobson said, with only 10 per cent in equities and the balance in cash and property. The likelihood was there would be a move towards the typical UK portfolio, where over 70 per cent is invested in equities.

Mr Rolf Breuer, Deutsche Bank main board director with responsibility for the bank's

**LONDON TRADED OPTIONS** 

securities activities, said it was a priority for the bank to increase its fund management activities. At present, the bank is the world's 20th largest fund manager with assets of DM124bn under management.

Deutsche Bank is predicting 9.5 per cent growth per year from 1991 to 1996 in the domestic German pension fund market. The total size of German pension funds stood at only DM129bn in 1991 compared to DM849bn in the UK, DM993bn in Japan and DM4131bn in the

Morgan Grenfell fund managers are paying marketing visits to many of Deutsche's

#### **LONDON MARKET STATISTICS**

	EQUITY GROUPS	וָ וְ	Tuesda	y Febr	uary 2	5 199	2	Mon Feb 24	Fri Feb 21	The Feb 20	Year ago (approx
	& SUB-SECTIONS			Est. Earnings		Est. P/E	xd adj.	lada:	Index	ladar	Lndex
Fi	jures in parentheses show number of stocks per section	Index No.	Day's Change	Yleig% (Max.)	Yield% (Act at (25%)	Ratio (Net)	1992 to date	ladex No.	Mo.	No.	Na.
1	CAPITAL 6000S (178)	795.14	~0.4	8.28	6.00	15.45	1.41	798.29	791.64	791.99	812.3
2	Bullding Materials (23)	981.70		7.12	6.34	18.92	0.44	981.19		973.11	
3	Contracting, Construction (28) Electricals (7)	887 23	+0.1	8,98	8.23	16.07	1.32	886.07	882.30	883.E5	
4	Electricals (7)	2438.73	-0.8	10.13	6.15	12,42	1.47	2457.77	2457.26	2458.77	
-5	Fisctronics (26)	11820.80	~0.2	10.06	4.70	12.60	1.86	1824.07		1801.16	
6	Engineering-Aerospace (8) Engineering-General (43)	327.57	-0.3	12.49	7.93	9.73	5.78	328 50	329.24	324.IQ	414.10
7	Engineering-General (43)	490.82	-0.6	9,44	4.81	13.08	121	493.62 328.82	489.27	488.85	411.2
8	Metals and Metal Forming (10) Motors (14)	26.09	-0.7	2,12	10.59	16.55	0.00	319.52	327.58 314.23	325.78 314.32	
. 9	Motors (14)	310.45	-10 -0.6	8.03 7.51	7.48 5.12	15.85	0.69			1606.45	
τŪ	CONSUMER GROUP (188)	1440 64	-0.6 -0.7	695	3.12	17.69		1680.69	1672.42	1673.31	
5T.	Brewers and Distillers (23)	211712	-0.4	759	3.35	15.89		2124.70	2095.84		
26 16	Drewers and Districts (23)	1245 80	-1.2	8.53	4.04	14.46	2.11	1280.89	1273.64	1275.89	1125 R
2	Food Manufacturing (18)	2617.42	-0.1	B 43	3.17	15.41		2619.43			
20 37	Horish and Household (24)	4343 25	-1.3	5.34	2.36	23.37	15.12			4423 23	
20	Health and Household (24) Hotels and Leisure (23)	1299 25	+0.3	7.16	5.19	17.40	8.54	1294.99		1302.32	
20	Madia (23)	1542 18	-0.4	6.34	3.54	19.85	2.97	1547.90		1533.58	
~	Media (24) Packaging, Paper & Priming (17)	751.95		7.04	4.41	17.23	0.22	751.91	748.86	747.80	598.4
м	Stores (32)	1053.28	-0.9	7.01	3.43	18.90	1.91	1062.63	1059.15	1068.95	858.6
35	Textiles (10)	635 SI	-0.2	7.23	4.67	17.66	0.53	636.60	638.20	630.39	448.2
ñ	Textiles (10)OTHER GROUPS (116)	1228 23	-0.3	9.82	5.40	12,84	6,41	1231.60		1233.40	
11	Uther skotors (16) Business Services (16) Chemicals (21) Conglomerates (11)	1393.65	-0.7	7.20	4.71	17.67		1403.88	1395.62	1408.45	
12	Chemicals (21)	1515.35	-0.2	6.62	4.83	18.68		1518.58	1501.23	1514.96	
13	Conglomerates (11)	1334 84	+0.6	10.85	7.58	11, 22		1326.62		1326.26	
14	Transport (14)	2912.72	+0.1	5.25	4.69	25.14		2413.34		2422.08	
15	Flactricity (16)	III 48 Z 4 I	-0.5	1513	6.20	8.60		1203.95		1206.17	
16	Telephone Networks(4)	1400 53	-0.7	11.20	4.48	11.65 6.25		1410.01 2429.65		1411.54 2453.60	
17	Water[10]	K414.41	-0.4 -0.2	17.63	6.57 5.29	24.57		1847.99	1839.56	1850.45	
18	Miscellaneous (24)	1370 (3		5,56		15.49		1315.38	1307.92	1311.16	_
	INDUSTRIAL GROUP (482)	113001.62	-0.5	8.07	4.44	_				1998.01	
1	Oil & Gas (18)	2015.81	-0.3	9.48	6.99	13.92	36.07	2021.08			
59	500 SHARE INDEX (500)	1376.04	-0.5	8.21	4 70	<u>15.32</u>		1382,79		1377.19	_
.,	FINANCIAL GROUP (87)	727.86		ļ l	6.40		261	727.99	720.97	717.64	
2	Banks (9)	907.83	+0.4	4 49	5.91	44.53	6,20	903.95	887.02	875.52	827.9
5	Insurance (Life) (6)	1429.81	-0.2	-	5.97	-		1432.78		1415.30 481.00	1446./ 680.4
96	Insurance (Composite) (7)	484.91	+0.4	-,,	8.99	74.40	0.00 2.37	483.01 963.02	480.47 976.08	976,39	1045.9
7	Insurance (Brokers) (10)	103.23	+0.4 +0.2	8.01	6.92 4.47	16.42	0.00	478.83	479.19	479.77	
8	Merchant Banks (7) Property (33)	4/4 00	+0.2 -2.0	7.79	6.14	17.57	0.93	753.35	754.22		1019.0
9	Other Financial (14)	246.11	+0.1	8.08	7.09	16.35	0.89	245.91	247,23	246.08	271.9
4	Investment Trusts (68)	1177.89		- 0.00	3.73	-		1177.73	1175.00	1172.81	_
	ALL-SHARE INDEX (654)	1221.30	-0.4	┝╌╌	4.88	<del>-</del>				1220.01	1123.3
29	ALL-SHAKE INDEX (934)	<del>-</del>									
7	1	Index	Day's	Day's High (a)	Day's Long (b)	Feb 24	Feb 21	Feb 20	Feb. 19	Feb 18	Ygar ago
		l Ma. I	Change								

	FIX	ED I	NTE	REST	r			AVERAGE GROSS REDEMPTION YIELDS	Tue Feb 25	Mon Feb 24	Year ago (approx.)
	PRICE INDICES	Tue Feb 25	Day's change %	Mon Feb 24	Accrued Interest		1 2	British Government Low 5 years Coupons 15 years	8.56 9.13 9.13	8.59 9.16 9.16	9.29 9.60 9.76
2 3 4	5-15 years (26) Over 15 years (9) irredeemables (6)	122,56 136,86 148,59 163,92	+0.20 +0.34 +0.19	122.48 136.59 148.08 163.60	1.70 2.64 2.34	0.88 1.14	4 5 6 7 8	Medium   5 years   15 years   16 years   17 years   1	9.39 9.20 9.16 9.62 9.30 9.24 9.34	9.41 9.24 9.20 9.64 9.34 9.27 9.36	10.14 9.98 9.90 10.30 10.12 10.01
6	Over 5 years (9).	134.95 169.42 149.03 150.71	+0,04 +0.06	134,72 169.34 148.94 150 62	0.11	1.37	13 14	Index-Linked Inflation rate 5% Inflation rate 5% Up to 5yrs. Inflation rate 10% Up to 5yrs. Inflation rate 10% Over 5 yrs. Pets & 5 years  Syears	3.65 4.30 2.96 4.12	3.65 4.31 2.97 4.12	3.75 4.16 2.29 3.98
9	Deks & Laans (62)	118.16	+0.07	118.08	1.94	2.07		Loans 15 years	10.62 10.46	10.63 10.46	11.66

4.0 pening index 2563.6; 9 am 2561.1; 10 am 2571.2; 11 am 2563.1; Noon 2560.1; 1 pm 2560.6; 2 pm 2564.3; 2.30 pm 2563.3; 3 pm 2561.9; 4 10 pm 2547.5; ia) 9,40 am (b) 3,56 pm if lax yield. Highe and lows record, base dates, values and constituent cleanges are published in Saturday issues. A lift of constituents is available from the Publishers, The Financial Times, Number One, Sonthwark Bridge, London SEI 9HL. The FI-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor. 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

Comm Finan Oil & O Planta Mines	Fixed tercial clal & Gas stions	Intere I, Indo: Prope	st strial		***************************************	:	63 12 201 119 14 1 24 43	25 10 2 3	1 0 7	17 5 1,019 573 58 7 96 46		
T	Totals											
LONDON RECENT ISSUES												
EQUITIES												
Istue Price	Asn'ni Paki Ep	Latest Renorc Date	19 High	91/92 Los	S	iaci	Clasing Price	+4=	Nel Div	Times Gros Cor'd Yiel	s P/E dRatio	
- 100 May	F		75 104 39 329 212 99 39 22 11 104 122 160	94 329 329 329 329 329 329 329 329 329 329	Genesis Calib Latio Am in Lioyes Sentr Do. Capital Matticrus. V	Cagnal papese Writes e Fd Writes c & Aope . lt Co's Poky Us	61 1025 356 329 612 98 37 60 11 103 1226	+1 <sub>2</sub>	F0 6	- 08 - 49 - 119 - 61 13 4.6	1 = 1	
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100p 10p 10p 100 34,71 100p 105 310p	. ] ]	P. P	Date	High 1001-12 1007-12 35-14 100-10 457-10 105-149 75-10	F245	Bank of Irelan Botte Minipg I Cambourne Ind Ereter Prid, G Fridelity Earn. Greencare 95-1 Inchesse Nos-1 Nat West Bank Westoley &p (I	101p 10s 105½ 35½ 106e 105 105 105 102p 68p	11				
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Price 0			Latesi Rengac Dage i	High	991/92 Low	ļ	Stock			Closing Proce	+ 00	
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Forecast and yield other off Divident prospect stronger introduce	a Associated distinct. It Figures incode on prospecties estimates of disvotent rate paid or operable on near of capital, other based on distinct on full capital, o desured distinct and price of Earnings based on pricinctural prices. In Forecast, or estimated arounds associated and price of Earnings based on pricinctural prices. In Forecast, or estimated arounds around the control of the prices are associated on pricinctural properties or only of ficial estimates for 1992-92. It Prices are properties or other official estimates for 1991 to the official estimates for 1991-12. It Prices around the other official estimates for 1992 of Error, it Prices around the other official estimates for 1992 of Error, it Prices around the other official estimates for 1992 of Error, it Prices around the other official estimates for 1992 of Error, it Prices around the other official estimates for 1992 of Error, it Prices around the other official estimates for 1992 of Error, introduction is Placing price. It Reintroduction # Unlisted securities market. # based is connection with recognishation, merger or taleouer, pro Price at a pression.											
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Feb. 17 Calls in Brent Walker. Costain, Feb. 28 Flextech, Grent Western Res., May 28 Hanson warrants, NSM, Ramers, June 8 Trencherwood and wembley, Puts

First Dealings

Last Dealings
Last Declarations

3-month call rate indications are

RISES AND FALLS YESTERDAY

ne 17 5	Opties		ALLS Jel Get	PUTS Age Jul Oct	Oction		CALLS Ann Nor	PLITS May Ang Nov	Oction	CALLS PUTS Nur Jun Sen Nar Jun Sen
19 73 18 7	Alid Lyons (%32)	600 50½ 6 650 21 3	24 794 54 534	10 23 301; 301; 471; 541; 681; 811; 851;	BAA (*577 )	550 50 600 23	58 73 2 32 47 b	11 ½ 19 ½ 24 35 42 48	Midland St (*234 )	220 161, 291, 351, 5 12 151, 240 71, 191, 26 121, 201, 25
7 16 16	ASDA 1991	34 64 40 - 43 24		24 - 5 6	BAT Inds (*656 ) STR (*408 I	390 2712	36-5 41-5	27 12 39 12 49 12 99 12 14 12 19 12 27 12 30 12 34 12	Hallotal Power (*216 ) Reuters	215 6 1612 2012 5 10 1312 235 114 8 1112 1912 2112 2412 1150 35 8112 110 2512 60 73
21	Brit. Airways (*273 )	240 39½ 4 260 22½ 2	35 495 85 385	2½ 7 12 6½ 15 19½ 15½ 24½ 29%	Bris. Teles (*331.)		25 28 6	91, 161, 195 30 345 351,	P11554 R. Rojer (P143 )	1200 16 58 5 87 55 88 100 140 54 105 13 65 10 11 160 5 35 6 23 23 25
	SmKi Bee- ckan A	900 485 7	55-100	20 t 33 t 45 t 46 t 58 t 68 t 86 t 90 t 100	Castoury Sc (*472.) Eastern Eli			261 <sub>2</sub> 261 <sub>2</sub> 331 <sub>2</sub> 141 <sub>2</sub> 491 <sub>2</sub> 541 <sub>3</sub> - 141 <sub>2</sub> 171 <sub>2</sub>	Scottisi Power (*101 )	100 34 9949 24 6 9 110 4 44 55 9 11 155
	Boots (*459.)	420 47 460 19	54 64		(*248 ) Guinera	250 1412	<b>-</b> -:	10 1412 20	Sears	100 5 8 10 24 8 95
_	B P. (*259 1	240 24 250 104	_	2 6 94 84 14 18	(*586 f	600 195	<b>ሃ</b> ን ጭኒ	32 36½ 41½ 3½ 7½ 8½ 12 17 19	@103 ) Forte	110 15 41, 65 81, 125 135 220 14 194 231, 21, 9 11
_ E	British Steel (974 ) Bass	70 64 80 15 550 285	34 54	2 41, 51, 75, 10 115, 13 225, 26	(*210 ) Hauson	200 21	2412 2712	24 44 74	(*232.) Them EMI (*808.)	240 24 94 144 105 194 22 800 234 525 545 125 245 375 850 4 275 345 425 495 665
-	(*560)	600 812	20 3312	425 495 525	(*215 ) LASMO (*201 )	220 9 200 134	124, 163 20 263	101-131, 16 161-20 23 201-331-341-	TSB (*131 )	130 4½ 10½ 12½ 3½ 6½ 9½ 140 ½ 5½ 8 9½ 12½ 16
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NATIONAL Westminster Bank demonstrated yesterday when publishing its 1991 results that

it is both one of Britain's stron-

gest businesses and one of its

Pre-tax profits fell 78 per cent from \$504m to \$110m due

to a bad debt charge of £1.99bn,

which included the biggest

losses ever incurred by a UK

However, the group was able

to remain in profit because of a

sharp increase in income,

excluding bad debt charges. The trading surplus rose 20 per cent to £2bn, in large part because of a 28 per cent rise in

The strength and the weak-

ness are to some extent two

sides of the same coin, stem-

ming from the sheer size of the

organisation. NatWest has for

years been the leading lender

to small and medium size busi-nesses, which have been hit

particularly hard by the reces-

sion. As a result, it could never

hope to escape from the loan

But the losses were exacer-bated by weak management, as

Lord Alexander, chairman,

admitted when saying that there had been "departures

from the principles of sound lending". The bank lent too

much to too many insubstan-

Mr Tom Frost, chief execu-tive, highlighted growth in the

loan book at the end of 1988,

when seven years of UK eco-

nomic growth were drawing to

a close, as a particular mis-

Improvements in the management of most UK banks

lagged behind modernisation of other industries because banks had been protected from com-

losses afflicting all banks.

commission income.

bank on its domestic lending.

weakest.

### SB breaches the £1bn barrier with 17% rise

By Paul Abrahams

SMITHKLINE BEECHAM, the 24 per cent to £504m and Ser-Anglo-American pharmaceuticals and consumer products group, has broken the fibn profits barrier for the first

Pre-tax profits increased 17 per cent from £860m to £1bn for the year to December 31

The group's turnover fell 2 per cent from £4.76bn to £4.68bn following disposals, adverse currency effects, and what Mr Robert Bauman, chief executive, described as "tough" trading conditions in the US consumer market.

Nonetheless, overall revenues from continuing operations rose 4 per cent, while trading profit increased 13 per cent. Sales performance of estab-

lished drugs was mixed: Tagamet, the anti-ulcer product, fell 2 per cent to £620m; Dyazide fell 11 per cent to £148m; Amoxil, an antibiotic, increased 9 per cent to £243m. The company was forced to offer £56m discounts in the

Among the newer products, Augmentin increased sales by

oxat, an anti-depressant, gained 10.7 per cent of the UK market by value

Clinical laboratories operations increased sales 13 per cent to £539m and profits 4 per cent to £68m.
The animal health business

achieved a 4 per cent increase in sales to £318m and a 9 per cent rise in trading profits to Sales in the US consumer

division fell 9 per cent as customers ran down their stocks. Mr Hugh Collum, finance director, announced the company wanted to split its A and B shares on a 2-for-I basis to increase liquidity and help smaller shareholders.

The equity unit is also to be divided to comprise one split B share and a reduced preferred share to make the A shares and the equity unit more easily comparable. The changes will be put to shareholders at the annual

meeting in May. Earnings per share increased 17 per cent from 41p to 48p and earnings per equity unit from 205p to 240p. A quarterly dividend of 4.15p per A ordinary share, equivalent to 48.49 cents per equity unit is declared.

#### COMMENT

SmithKline executives spent much of yesterday patting themselves on the back for completing a highly successful merger in the space of little more than two years. Their self-congratulations were justified, but the more difficult task of generating organic growth remains before them. The most pressing question is whether the new generation of drugs will be able to compensate for those reaching or having reached the end of their patents. An increase in pharmaceuticals sales of only 4 per cent is decidedly sedentary compared with other companies and the outlook in Japan looks more than tricky with further helty price-cuts in the pipeline. On the upside, the stock is likely to be less vulnerable to a move out of pharmaceutical companies into cyclicals because of its consumer products division. Hoare Govett maintained its profits

forecast of £1.14bn for 1992.

### Difficult trading hits Sedgwick

By Richard Lapper

DIFFICULT trading conditions in the London insurance mar-ket were the main factor in a fall in pre-exceptional profits at Sedgwick Group, the interna-tional insurance broker. Pre-tax profits amounted to

£82.4m, compared with £90.7m before an exceptional charge of £21.4m reduced profits to £69.3m in 1990. There was a slight rise in

operating income to £621.9m but the reduction in interest rates resulted in a fall of £7.2m in investment income, while adverse movements in exchange rates depressed profits by a further £4.1m.

The US subsidiary performed well for a 23 per cent increase in profit despite depressed insurance rates and a slight fall in operating income. However, difficulties in the London insurance market depressed profitability with the results showing a 7 per cent fall to £43.6m.

A contraction in capacity at the London reinsurance mar-ket led to a 5 per cent fall in income at EW Payne, the reinsurance broking subsidiary.
The fall in profits at the Lloyd's underwriting agent subsidiary's to £500,000, compared with £5.2m, reflected the reduction in commission paid by Names in 1988, when the Lloyd's market produced its first overall loss for 20 years. Earnings per share were 12.8p, compared with 10.4p in

Although falling interest rates and the weakness of the dollar are adversely affecting profit-

1990. A final dividend of 8p is

proposed for an unchanged

ability, the good news from yesterday's results is that Sedgwick has costs firmly under control. And with more than 36 per cent of its income generated in the US, the group well placed to benefit from the long awaited turnround in insurance rates there. Unfortunately that prospect is still somewhat distant judging by the pessimistic views yesterday of Sedgwick's senior executives. Even so with margins in the group's retail worldwide operations improving and rates in some sectors of the London market rising strongly, profits should increase after last year's disappointing outcome. A pre-tax outcome of £90m is possible, a result, which on today's closing price of 212p, puts the share on a prospective p/e of just over 15, a little less than the average for the sector.

### WPP wins \$115m Mercedes

By Gary Mead, Marketing Correspondent

contract

MERCEDES-BENZ of North America has signed an advertising deal worth some \$115m (£65.7m) with the New York agency Scali McCabe Sloves, part of the UK-based WPP

group.

The deal, by far the largest signed in the US for many months, makes Scali responsible for all forms of Mercedes' North American advertising, including direct marketing. Scali's success provides a much needed fillip for WPP, the world's largest marketing

services agency. It is also welcome news for Scali. In November 1990 it resigned Volvo's \$40m account, which it had run for

23 years. This brought about a 99%p plummet in WPP's share price, and followed revelations that one of Scali's Volvo commercials had been rigged: Volvos had been strengthened before undergoing a test in which trucks were driven over

Negotiations are still proceeding over WPP's disposal of Scali, a move which was agreed when WPP first acquired the agency in May 1989 as part of its purchase of the Ogilvy & Mather

#### GrandMet plans share split

Grand Metropolitan, the food, drinks and retailing group, is to make a 2-for-1 share split to give the shares "wider appeal," Sir Allen Sheppard, chairman, told the annual

meeting.

Sir Allen forecast that the group's first half performance – excluding the one-off benefit of disposal of the Express Dairy and Eden Vale operations – should "be in line with last year."

City analysts reacted by trimming their full-year profits forecasts by about £40m to between £1.02bn and £1.04bn.

### Addison seeks £14.75m to fund AGB purchase

By Raymond Snoddy

ADDISON Consultancy, the market research group, is pay-ing £14.75m for the main businesses of AGB Research, part of the collapsed Maxwell pri-

The price of the deal was revealed yesterday in a rights says it intends to sell if the issue document designe pay for the acquisition which will take Addison from sixth to top position in UK market

Preliminary agreement on the purchase was reached with administrators Arthur Andersen last month

Addison, which trades as Taylor Nelson, will raise approximately £16.3m net from the rights issue which already

### NatWest clashes with Maxwell pension funds

has the support of more than 53 per cent of its share-holders. This does not apparently include Lord Hollick's MAI group, which has 24.8 per cent ceutical, an Israeli concern. NatWest said yesterday that

Under the issue holders of ordinary shares will be offered new shares at 12p on a 9-for-4 The rights issue, which is conditional on shareholders' approval, has been underwritten by Robert Fleming, the merchant bank Trading in the shares of the enlarged group is expected to begin on March 13.

Mr John Melbourn, a Nat West director, said the bank had been given no conclusive evidence that the shares were the property of the pension funds. He said the bank had been given the shares as secuthe Maxwell private compa-nies shortly after Mr Robert Maxwell died last November.

Mr Kevin Maxwell, Mr Rob ert Maxwell's son, had pledged the shares to NatWest. "We took them in good faith", said Mr Melbourn. "We cannot sim-ply give them back without investigating the pension funds' claim. What would our shareholders say if we did?"

ference last autumn and he

had offered his resignation. Meanwhile, a Scottish

printer has emerged as the unsung hero of the Maxwell pensions saga. Mr Harry Tem-pleton, formerly at the Scottish Sunday Mail, told how he had

been fired from the paper after 18 years service because of his role as a pension fund trustee.

"Mr Maxwell told me I would sit on the board [of Mirror

A DISPUTE has broken out between the Maxwell empire's beleaguered pension funds and National Westminster Bank over the ownership of shares worth £28m in Teva Pharma-

whether to keep the shares, in which the Maxwell pension funds claim an interest. Lord Alexander, NatWest's chairman, confirmed that the bank had been approached by Mr Neil Cooper of accountants Robson Rhodes, the provi-sional liquidator of Bishopsgate Investment Management, which acted as both manager and trustee of the Maxwell

> Maxwell had exchanged views about the matter at an hotel during the Labour party con-

> > ing 26m in a 45 per cent stake in Finanziaria Italiana Mutui, which operates in the Italian which operates in the manan residential mortgage market, writes James Buxton.
> >
> > The move represents the Edinburgh-based bank's first

FIM is an arm of Sopaf, the Milan-based investment holding company run by Mr Jody Vender. Sopaf intends to sell a further 10 per cent of FIM to a

Salvatore Ligresti, the Italian Bank of Scotland sees the move as part of its policy of finding joint ventures in Europe where it can add its technological and mangement skills to local knowledge

JD Wetherspoon seeks listing

JD Wetherspoon, the London pubs operator which yesterday announced first half pre-tax profits ahead from £432,000 to £1.01m, is to seek a Stock

Benson to float 35 per cent of the company to raise about £15m. Mr Tim Martin, the manag-

ing director who founded the company in 1979, said the flota-tion would belp to accelerate expansion. During the past 13 years, the company has grown from one free house to an

estate of 37 pubs with a turn-over in the six months to January 25 of £9.6m.

Rosebys floated with £21.3m tag

Mr Michael Rosenblatt, vice

chairman, said margins had

from overseas. With wage and

rental costs coming down, fur-

ther savings were hoped for

Pre-tax profits increased from £1.46m to £2.17m last year, while turnover rose

slightly to £42.8m (£40.9m). The

placing price puts the shares on a p/e of 12.9 from earnings

per share of 8.9p last year. This compares to a multiple of 19

enlarged share capital.

became the first retailer to improved 20 per cent since

#### B'ham Midshires falls 40% to £9.5m

Pre-tax profits at Birmingham Midshires, the building society, dropped by 40 per cent last year after loan loss provisions of £36.6m. Profits for 1991 were lown from £15.9m to £9.5m. Bad debt provisions in 1990 were £13.5m.

During the year the society repossessed 1,542 homes, proportionately double the average for the industry size. Total assets rose from £3.65bn to £3.74bn and reserves by 26.1m to £143.1m.

#### Cookson sells two offshoots for £7.5m

materials company, is selling two wholly-owned subsidiaries to the US-based Titanium Industries for about £7.5m. Combined net assets of the two offshoots - Titanium International and Reactive Metal Fabricators (Anston) at December 31 amounted to approximately £2.6m. They incurred pre-tax losses of £164,000 on sales of £10.8m over the year to that date.

#### Murray Income net asset value at 251.3p

Net asset value per share at Murray Income Trust stood at 251.3p at December 31 against 223.2p a year earlier and 254.5p at the June year-end.

Net revenue for the six months improved from £4.03m to £4.34m for earnings per

share of 5.2p (4.83p).

As already announced, an interim dividend of 6.6p (6.3p) is payable in three equal instalments with the second control of the seco ments, with the next payments

due on April 24 and July 31. A final of 4p (3.6p) is anticipated and directors now forecast an interim dividend for the year to June 1993 of 6.75p.

for QS Holdings, a much bigger company and the last specialist retailer to come to market.

placing and from repayment of

outstanding inter company loans. Cattle's is proposing a special dividend of 0.5p, pay-able with the final dividend for

Rosebys will use £1.7m from

the proceeds to finance the

completion of a new distribu-

tion centre. A further £1.7m

will be used to repay part of its

Cattle's will receive total net

year end in July.

### Cookson Group, the industrial

South West Water has formed a joint venture company with Welr Group to provide waste treatment equipment.
The new company - Rugged
Environmental Technology

subsidiary, and Peninsula Waste Technology, a South West Water offshoot, will each have a 50 per cent stake.

Net revenue was £219,000 (£624,000) for earnings per



The ratio rose during the year, largely because the bank raised £466m of new capital through issues of non-cumulative preference shares and sub-ordinated debt. There was also a fall in risk-weighted assets, or assets revalued to take account of their inherent riski-

This drop in loans and other assets was no accident, according to Mr Derek Wanless, a director. He said that all executives had been under instructions to cut the bank's exposure to low yielding assets.

This emphasis on profitability is symptomatic of Lord Alexander's attempts to enforce a sweeping cultural change, which has involved a series of senior personnel changes and a reorganisation of the divisional structure.

"We need to become a business, not a [philanthropic] institution," he said. NatWest's shareholders will applaud him. Customers paying higher charges may not.

### Holmes & Marchant shares fall as dividend is dropped

petition till a decade ago.

Even today, their ostensibly special role within the UK

economy means that the Bank

of England still gives them pro-tection from the market disci-

plines of being vulnerable to a

hostile takeover bid or bank-

However, NatWest's dispro-

portionate economic power, or oligopolistic position, was also

its salvation last year. Most UK

companies, open to intense competition, found it difficult

to increase revenues during

the recessionary conditions of

the past year. But Lord Alexander said that

NatWest put in place higher tariff levels and, with the help of new technology, made sure that an increased number of

eligible customers paid their

Size is strength as customers suffer

Lord Alexander, left, and Tom Frost: raising tariffs

As a result, UK branch cus-

tomers, not including the big-gest corporate customers, paid

commissions of £1.33bn last

year, 24 per cent higher than in the previous year.

the business was what per-

suaded the board to maintain its full-year dividend at 17.5p.

even though earnings per

share were significantly lower

at 3p, against 13p.

The group is having to with-

draw £220m from reserves to meet the £285m cost of the divi-

The balance sheet remains

strong compared with many of

its international competitors.

The ratio of capital to assets,

measured on the new interna-

tional basis, known as the

Basle convergence ratio, is 9.6 per cent, well above the 8

The underlying strength of

By Richard Gourlav

HOLMES & Marchant, the marketing services group, yesterday surprised the market by announcing it would not be paying a final divi-dend, just two months after the directors had forecast a maintained 3.3p payment.

The board said its bankers were reviewing the group's "current position and future plans". Holmes' share price dropped from 60p to

In December the group reported pre-tax profits of £2.1m for the year to end-September. Earnings per share were 7.3p and the directors recommended the maintained dividend. Combined with the interim dividend of 3.3p, the proposed ended the maintained dividend. Combined

dividend was only barely covered by earnings. The dividend cut comes less than a year after a 1-for-3 rights issue to cut debt accumulated during a string of ambitious acquisitions.

Since the year-end results' announcement cliany sign of recovery.

The group continued to trade within its banking facilities, Mr Emyr Jones, finance director, said. Its hank had not put any pressure on the company to cut the dividend, he said. "We took

ents had reduced or indicated a reduction in their marketing budgets for 1992 which would hit cashflow, the group said. Neither was there

#### administrator visits Cyprus By David Barchard The administrators of Polly

**Polly Peck** 

Peck International, the collapsed fruit and electronics conglomerate, have renewed their efforts to get the Turkish Cypriot government to open the company's records on the island to them. Mr Richard Stone of Coopers

& Lybrand Deloitte, the administrator responsible for corporate finance, arrives in the Turkish-held sector of Cyprus today for talks with Mr Dervis Erogiu, prime minister of the internationally-unrecognised Turkish Cypriot admin-

Turkish Cypriot leader.

Last year the administrators obtained a High Court der freezing £2 held by the Turkish Cypriot Central Bank in London on the grounds that they appeared to have been improperly transferred from the com-

There is speculation in London that the order could be dropped if the Turkish Cypriot authorities open up the accounts to the administra-

#### **NEWS DIGEST**

#### Italian move for Bank of **Scotland**

ROSEBYS, the curtain and

linen stores group owned by Cattle's (Holdings), yesterday

than two years.
Shares in the company will

begin trading on Monday fol-

lowing a placing by County NatWest of 10.2m new and existing shares with institu-tions at 115p. The placing price

gives Rosebys a market capital-

Cattle's, the financial ser-

vices group, will retain about 45 per cent of Rosebys'

isation of £21.3m.

BANK OF Scotland is invest-

move into mortgage lending in continental Europe.

large Italian insurance com-pany, believed to be SAI, a company controlled by Mr entrepreneur.

Two Bank of Scotland staff will join FIM and the bank will have three boardroom seats.

Exchange listing towards the end of the year. It has appointed Kleinwort

last year.

#### River & Mercantile **Smaller Companies**

River & Mercantile Smaller River & mercantue Smaller Companies Trust reported net asset value of 107.7p per share as at January 31, ahead from 94.39p at the same stage of 1990 and from 105.55p at the trust's year and in July

Net revenue for the six months to end-January was sharply lower at £254,000 (2759,000). Earnings per share emerged at LOID, against 3.04D, but the interim dividend is maintained at 1.25D.

#### South West Water joint waste venture

Systems - will exploit a mar-ket for the treatment and dis-posal of industrial waste, sewage sludge and domestic refuse worth £2bn a year in the UK Strachan & Henshaw, a Weir

#### TR European Growth lower

The shunning of smaller European companies by investors resulted in net asset value at TR European Growth Trust falling to 94p at December 31 against 96.4p a year earlier and 106.8p at June 30.

istration.
It will be the first time that Mr Stone, who has been trying to get Polly Peck's assets on the island unlocked since November 1990, has met the

#### TR High Income net assets up 9.5%

share of 0.6p (1.72p).

The net asset value of TR High Income Trust rose 9.5 per cent
- from 86.5p to 94.7p - over
the 12 months to December. Net revenue amounted to £1.28m (£957,000) for earnings of 6.21p (6.23p) per share. A fifth interim dividend of 0.8p maintains the total for the year at 6p on the increased capital following the rights

#### Lloyd Bank's New Zealand arm ahead

issue last June.

National Bank of New Zealand, part of the Lloyds Bank group, reported a 22 per cent rise in net profit to NZSSZm (225m) for 1991, despite higher provisions for doubtful debts, which rose from NZSZm to NZSZSm.

The results The results represented a 14.2 per cent return on share-

### holders' funds, compared with 12.8 per cent last year. Mr John Anderson, chief executive, again denied rumours that the bank was for sale. Fisons accounting policies cleared

Fisons has been cleared of questions regarding its 1990 accounts. The Financial Reporting Review Panel had been examining criticisms that the accounts did not disclose the basis of consolidation of the group accounts.

Fisons argued that consolidation requirements were defined in company legislation and it did not need a separate statement of policy.

The panel stressed last month that this did not remove the requirement to separately specify the accounting policies

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### MGN finance director astonishes MPs

By Norma Cohen

ASTONISHED MPs yesterday questioned Mr Lawrence Guest, chairman of the Mirror Group Newspapers Pension Fund's investments committee, after he testified that he did not know the ownership of companies in which the pen-sion fund held stakes.

Mr Guest, who is also MGN's

finance director, said he believed his role was simply to monitor the returns earned by the pension fund's various investment managers.

The MPs asked him how the fund had come to invest so heavily in entities related to Mr Robert Maxwell. Mr Guest, whose investments committee kept no minutes of its decisions, testified that he did not

know the extent of the pension fund's self-investment until

November 1991. Prior to that, he relied on Bishopsgate Investment Management to provide valuations of what was in the fund and believed that self investment was no more than 7 to 8 per cent of the fund. "I made no specific inquiries into who owned those compa-nies." Mr Guest told the Select

Committee - sparking titters of disbelief from MPs and audience alike. By April 1990, the MGN pension fund accounts showed that over 40 per cent of all investments were concentrated in 20 companies - over half of which had some connection with Mr Maxwell or his private interests. Mr Guest conceded that on one occasion at least, he had received a letter from an MGN pensioner asking about the unusual pattern of investments, but said he did

not pursue the matter. Other revealing testimony concerned Lord Donoughue, formerly a director of BIM. According to a letter from Lord



Donoughue's solicitor, he was concerned about stock lending activities in early 1991 becaus they were done without his knowledge. The activities had not ceased by July 1991 and Lord Donoughue asked that the matter be brought to the attention of the trustees - a request Mr Maxwell rejected. Two weeks later, Lord Don-

oughue left the employ of But his departure apparently went unheralded and unrecorded, even to pension fund trustees to whom he had to

Mr Ernest Burrington, then

managing director of MGN and

a trustee of the pension fund -

and currently its chairman -

had had a falling out with Mr Maxwell but didn't want to ask about it.

Lawrence Guest: sparked titters of disbelief said he noticed in the autumn that Lord Donoughue hadn't been around in some time. "I noticed he was missing." Mr Burrington testified. "It was a little like Argentina before the junta," he said - adding that he assumed Lord Donoughue

Mr Burrington said he later

learned that Mr Maxwell had

borrowed funds against the lease. He said that he and Mr

paper business. Mr Templeton said he believed he had been Mr Burrington testified that he had been about to resign from MGN over the missing funds and a lease arrangement the company had agreed which he felt was particularly disad-vantageous for shareholders.

sit on the board [of Mirror Group Newspapers Pension Fund trustees] over his dead body," said Mr Templeton, a Scottish printer formerly employed by MGN's Scottish Daily Record.

"That's when I began to suspect he was not to be trusted. Because when I got on, he Because when I got on, he lived on."

Mr Templeton said he repeat-

Mr. Templeton said ne repeau-edly challenged decisions urged by Mr. Maxwell, going so far as to consult a QC over what actions could be taken to prevent abuses in the invest-ment of pension funds. He said that Mr Maxwell repeatedly threatened to wind up the fund if trustees questioned the way it was being operated.

Mr Templeton was sacked for "gross industrial misconduct" in 1986 and, except for a six-month stint that year, has not since worked in the news-

blacklisted because of his role on the pension fund. Minutes of MGN pension trustee meetings show that Mr Templeton's appointment was opposed by Mr Maxwell. Mr Templeton testified that of those trustees appointed by management, none ever voted against Mr Maxwell. "Some of them never even spoke," he

#### **UK COMPANY NEWS**

### Paint sales lift Kalon to £9.2m

ffer

Pally Peck

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Visits Cypns

In Court Carange

A BUMPER last quarter for paint sales to DIY chains helped Kalon Group raise pre-tax profit by 57 per cent last year, from 55.87m to 59.22m. The group also benefited from the rapid growth of its

sundries range, including paint stripper and adhesives. In the past two years annual sales have leapt from £2m to £10.6m. Mr Mike Hennessy, manag-ing director, said most of the products were supplied in-house, so boosting margins. The improvement showed through at group operating level, where profit rose by 40 per cent to £9.18m (£5.54m) on sales up 13 per cent to £98.5m

(£87m). Interest turned from 1885,000 charge to a small income as year-end cash balances grew to £13.7m (£3.1m).

Virtually all the profit came

from the decorative division, which made £10m pre-tax on what made thin pre-tal on sales of £87.3m.

Prices went up by 10 per cent early in the year, with wage and raw material inflation only

5 per cent. Volume growth had flowed through especially in the last quarter as DIY chains to which Kalon supplies own label prod-ucts mounted aggressive pro-

motional campaigns.
In retail paint, the market was flat, but Kalon's volume was 18 per cent up and it claimed its market share improved from 22 to 27 per

This partly reflected the greater proportion of the mar-ket - 36 rather than 31 per cent - taken by the stores' own label paint at the expense

of branded products. Losses were roughly doubled at three small, problematic divisions: chemicals, industrial coatings and Spain. Between them the deficit was £1.12m on

turnover of £11.4m. Top management has been changed in all three areas and Mr Hemessy said this was the year for "resolving" their

Earnings per share rose to 5.28p (3.64p). A final dividend of 1.5p makes a total of 2.2p (1.5p).

• COMMENT

With the DIY enthusiast flushed out of hibernation by the aggressive marketing of B&Q and Texas Homecare, 1991 was the first year of serious volume growth since Kalon's in-the-red year in 1987. While the group's market leadership in own-label paint limits the scope for growth there, the potential remains strong in sundries and the expanding Leyland trade centre chain: and the resources are clearly available for acquisitions. All this makes the tiny loss-making divisions look even more incongruous. The crunch is coming when they must be either disposed of or expanded to a more viable size. Neverthe-less, damage reduction by the new managers should help profits this year. With the pre-tax figure forecast to reach at least £11m, the prospective multiple of 16 is at a deserved premium to the market. But after a near tripling of the

share price in the past 12 months, further growth will

DIVIDENDS ANNOUNCED			- Total	Total
	DIVIDENDS	ANNOUNC	ED	

	Current payment	Date of payment	ponding dividend	for year	last year
Addisonfin	0.15	-	nii	0.15	nil
Kalonfin	1.5	May 1	1	22	1.5
Ldn Forfaltingfin	5	Apr 3	4.625	7.625	7.25
Mersey Docksfin	4	May 14	3.3	6	. 5
NatWestfin	11.375t	May 15	11.375	17.5	17.5
Paribas Frenchfin		-	1.2	1.2	1.2
River/Merc Smailint		Apr 3	1.25	-	3.75‡
Sedawickfin		Apr 24	8	12	12
Smithiklinefin		Apr 15	3.8	15.4	14
TR High Incomefin		Apr 30	0.4	6†	6
Uniteverfin	13.91	May 22	13.3	18.94	18.16

Dividends shown pence per share net except where otherwise stated. tOn capital increased by rights and/or acquisition issues. ‡Excludes

#### **StanChart** sets up deal with First Interstate

By David Barchard

STANDARD Chartered, the UK banking group, and First Interstate Bancorp of Los Angeles yesterday announced that they are to join forces in three business areas by merging some of their operations.

No legal entities are involved and there is no payment by either side. However,

some customers, tangible assets, and banking assets will be transferred to Standard Chartered.

The two sides have signed a letter of intent, but they will carry out due diligence investigations and obtain regulatory consents before the deal is fin-

Mr Christopher Castleman executive director financial services at Standard Chartered, said: "We regard this as being a very interesting enhancement to areas of our activity which are directly ones we want to grow with some very good people from First Interstate who will be

joining us." He said the deal would complement and reinforce Stan-dard Chartered's existing core businesses and branch network in the Asia Pacific

region.
The transfer of assets from First Interstate will not exceed 2500m and is not expected to have an adverse affect on its

capital strength.
Three business are involved in the deal: First Interstate's trade-related correspondent banking business, which is dominated by the Asia Pacific region but includes some Mexican business; corporate finance, principally some structuring of Mexican paper with Exim bank guarantees and securitised issues in the ann securitises issues in the US; and a foreign exchange and securities sales and trad-ing derivatives business. Mr Castleman said that the

Mr Castleman said that the new businesses would fit well into existing operations and were totally in line with the bank's strategy.

Mr Edward Carson, chairman and chief executive officer of First Interstate, said that the businesses had been

that the businesses had been consistently profitable. The transfer would allow it to focus on domestic markets.

### Recession and Gulf war hold back Unilever profits

Guy de Jonquières analyses the facts and figures behind the static 1991 results

HE DEEPER-than-expected recession in the US and the UK coupled with the Gulf war, the collapse of the Soviet Union and adverse currency movements held Unilever to 1 per cent growth in pre-tax profits and

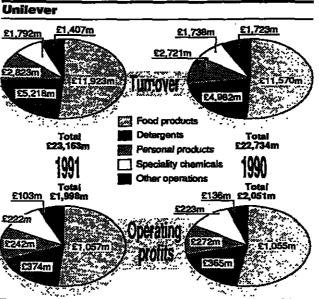
sales volumes last year. Nonetheless, the sluggish overall results were relieved by some strong performances by individual businesses. The company also continued to spend heavily on new products backed by a 10 per cent increase in marketing expenditure to £2.3bn.

Unilever's overall operating margin declined from 9 per cent to 8.6 per cent. It said the fall was due to currency move-ments and the impact of exceptional gains on 1990's results. Before exceptionals, operating profit was £75m higher at constant exchange rates.

The year produced a particu-larly mixed picture in foods, Unilever's largest business, where operating profits were static at £1.06bn on sales of £11.9bn (£11.6bn). Consumer foods performed well, particularly in Europe, where ice-cream sales exceeded

Prepared meals, sauces and edible fats - particularly European healthy eating ranges - all enjoyed good growth, though tea faced increasingly fierce competi-

to the Soviet Union suffered However, these positive from the political and eco-



developments were offset by a decline in results from food service and catering supply operations, which were hard-hit by the effects of the Gulf war on travel and the restaurant trade. Though the busi-ness recovered in Europe later in the year, it remained depressed in the US by reces-

Unilever also said its exports market share. Operating profit rose to £374m (£365m) on sales of

Sir Michael Angus, the group's retiring chairman

£5.2bn (£4.98bn), reflecting margin improvements due to cost reductions.

Operating profit on personal products fell to £242m (£272m) on sales of £2.82bn (£2.72bn), reflecting lower duty-free sales of prestige lines and weaker US demand for mass-market prod-

In contrast, prestige brands such as Ralph Lauren and Eliz-abeth Arden's top-of-the-range cosmetics had an "excellent" year, recording double-digit

sales increases.
Action was under way to improve Elizabeth Arden's efficiency. Sales of Chesebrough-Ponds, Unilever's US subsid-iary, also fell "materially" last

iary, also fell "materially" last year. A management reorganisation was expected to produce increased profits this year.

The group said the reorganisation of its European businesses in preparation for the single market was proceeding well. About half the £195m affactor charge it had made after-tax charge it had made for European restructuring had been committed, and a total of 60 projects had been identi-

Events in the Middle East and the Soviet Union disrupted the speciality chemicals business, which turned in flat profits of £222m (£223m) on sales of £1.79bn (£1.74bn). Nonetheless, National Starch enjoyed an excellent performance -though Unichema Interna-tional and Crossield encoun-

tered more difficult conditions. Unilever said it had significantly improved its position in Japan, though it was continuing to make losses there which had been magnified by the strength of the yen. The company said it was determined to remain in "key Japanese markets" over the long

The company said its businesses in Chile, Argentina, India and South Africa all

### Mersey Docks at record £13m

By Ian Hamilton Fazey, Northern Correspondent

Harbour Company defied recession in 1991 with pre-tax profits ahead 22 per cent, from £10.8m to a record £13.2m. Turnover advanced 27 per cent to £69.5m.

The company, which operates the Port of Liverpool, won new business to push cargo volume up 7 per cent to a new high of nearly 25m tonnes. Earnings per share fell to 16.98p (17.92p), but only because the company had to

make provision for tax for the first time after using up allow-ances from 13 years of losses up to 1984. Rarnings would oth-erwise have been 22p. A pro-posed final dividend of 4p lifts

THE MERSEY Docks and two years ago after the government had written off more than £100m of debts incurred in restructuring, has increased profits by more than 50 per cent since 1989. Mr Bill Slater, chairman,

said that Liverpool was now able to exploit both its position as Britain's last large west coast port and the improved infrastructure of northern England and the Midlands when compared with the overcrowded south-east.

This made it cheaper to use Liverpool for many cargoes because of lower land haulage costs and easier access. He predicted that competitive presthe year's total by 1p to 6p.

The company, which returned to the dividend list from East Anglia to the Solent

during the next five years. He forecast Liverpool's posi tion would improve further as it developed as a hub for grouped container traffic.

nomic upheavals there. The

company was, however, steadily expanding its presence

in eastern and central Europe

ments in the coming months.

where it expected to make further acquisitions and invest-

A rapid rate of innovation,

notably in concentrated washing powders, helped detergents

to increase sales volumes and

The company had also devel-oped property in its disused docklands on both the Liverpool and Birkenhead sides of the Mersey, involving a busi-ness park and conversion of old warehouses into luxury apartments that had sold well. Property assets were reval-

ued on December 31 at £119.7m, giving rise to revaluation sur-plus of £69m over their previous 1981 book value. Mr Slater said the govern-ment had still not indicated

when it might fulfil its declared intent to sell its 20 per

### **London Forfaiting rises** by 67% to top £15m

LONDON Forfaiting Company, the specialist trade finance house, yesterday reported a 67 per cent increase in pre-tax profits to £15.1m in the 1991

The previous year's profit

Mr Jack Wilson, chief executive, said the improvement stemmed from concentrating on the core forfaiting business while withdrawing from areas such as project finance and

Forfaiting is the provision of trade finance through fixed rate loans which are sold at a discount to investors such as

Trading income increased from £11.8m to £17.3m and net interest received increased to 4.96m (£3.69m). Earnings per share more than doubled to 11.52p (5.71p).

An increased final dividend of 5p is recommended, making a total for the year of 7.625p (7.25p). The company said its Middle

East operations, based in Cyprus, increased profits fol-lowing the ending of the Gulf

The Hong Kong office and Italian subsidiary performed well. It has also established a representative office in New York.

FULL YEAR. In spite of difficult conditions in some of our major markets 1991 was a year of progress. Sales increased by 4% and net profit on ordinary activities rose by 7% over 1990, at constant rates of exchange.

Volume in our consumer businesses grew but this was largely offset by a decline in industrial volumes. In comparison with 1990, when the results benefited from exceptional gains, operating profit remained flat. Before exceptional items, however, operating profit at constant rates of exchange was £75 million above 1990. Profit before tax rose by 4% compared to the previous year as strong cash flows led to a reduction of borrowings and hence interest charges.

At the average exchange rates prevailing in each year, the increase in net profit on ordinary activities over 1990 was 4% in sterling, 5% in guilders and 2% in dollars.

RESULTS	1991	1990	Increase/ (Decrease)	Increase/ (Decrease) Constant rates
Turnover	23,163	22,734	. 2%	4%
Operating profit	1,998	2,051	(3)%	-
Profit before taxation	1,792	1,782	1%	4%
Taxation	(583)	(613)		
Outside interests	(57)	(57)		
Net profit before extraordinary items	1,152	1,112	4%	7%
Extraordinary items	1	(195)		
Net profit after extraordinary items	1,153	917	26%	
Dividends on ordinary capital	(420)	(405)		
Combined earnings per share per 5n of ordinary capital excluding ear	61.62p	59.52p	4%	

OPERATIONS. In Europe operating profit increased by 3% at constant rates of exchange. Our consumer foods businesses increased sales and profit with strong performances from oil and dairy based foods and ice cream. Our detergents operation also made a significant contribution to the overall improvement. Progress in these businesses has been based on successful product innovation and cost reduction, and margins have strengthened. Industrial markets in foods were weak and this depressed results. Sales increased in personal products, although profit was restrained by lower duty free sales in the prestige sector and reduced margins in colour cosmetics.

In North America operating profit fell short of that of 1990. Whilst trading conditions remained difficult the performance of most of our businesses, notably our foods operations, improved in the course of the year.

### PRELIMINARY

RESULTS



In detergents, investment in major product launches lifted sales and market shares but reduced profits. Our personal products business had a difficult year. In mass markets lower demand, together with the costs of restructuring, depressed results. In the prestige sector new product launches achieved significant gains in sales but not yet in profits. Our speciality chemicals business did well to hold profits at the 1990 level.

In the Rest of the World we achieved a significant increase in sales. There were particularly good results from our detergents and personal products operations most notably in Latin America and South East Asia. The reduction in margin at current rates of exchange was due to currency movements and exceptional gains in 1990.

EXTRAORDINARY ITEMS. The fourth quarter results of 1991 include an extraordinary gain of £1 million, net of tax, on withdrawal from certain business segments. This comprises an extraordinary profit of £61 million less an extraordinary charge of £60 million. The extraordinary profit relates to the disposal of the 4P Group, which represents our exit from packaging. The extraordinary charge arises on withdrawal from those agribusiness activities which do not support the Group's core businesses. This includes the reinstatement of attributable goodwill written off on purchase.

The Fourth Quarter results of 1990 included an extraordinary charge of

£195 million, net of tax, relating to our Single European Market programme. Following Dutch accounting practice and developments in the UK, we have also quoted earnings per share after extraordinary items for both years.

	1991	1990
-final	13.91p	13.30p
-total	18.94p	18.16p
-final	F]. 4.08	F1. 3.83
-total	Fl. 5.56	Fl. 5.27
	-total -final	-final 13.91p -total 18.94p -final F1. 4.08

Rates are equivalent in value at the rate of exchange applied in terms of the Equalisation Agreement between the companies. Should there be a change in the current rate of Advance Corporation Tax, the PLC dividend

The PLC final dividend will be paid on 22 May 1992 to shareholders regis-

The N.V. final dividend will be payable as from 22 May 1992. tered on 16 April 1992.

The Annual Review and Annual Accounts for 1991 will be published on 14 April 1992. The results for the first quarter 1992 will be announced on Friday 15 May 1992.

For copies of results statements telephone Freephone 0800 181 891 or write to: Unilever External Affairs Department, P.O. Box 68, Unilever House, London EC4P 4BQ or, for Guilder version, P.O. Box 760, 3000 DK

### **COMMODITIES AND AGRICULTURE**

### Platinum price see-saws amid catalyst confusion

By Kenneth Gooding, Mining Correspondent

PLATINUM'S PRICE plunged and then bounced back again yesterday as confusion reigned in the market about an announcement by Corning, the US group, that it had developed an automotive catalyst that could meet the tough 1997 emissions standards fixed by

Corning said its catalyst used extruded powdered aluminium and ceramics. As more than 41 per cent of total platinum demand comes from automotive catalysts, there was some panic selling of the metal in London and on the New York Commodity Exchange. This caused platinum to drop by nearly \$4 a troy ounce to \$354 in London at one stage. However, after Corning clarified its announcement and pointed out that its technology

would be added to catalysis

using platinum, the price rebounded to close in London at \$359.50, up \$1.75 from Monday's close.

Corning's catalyst "is not a problem for the market," said Mr Jeremy Coombes, analyst at Johnson Matthey, the world's biggest platinum mar-keting group. "This technology will enable platinum catalysts to meet the demanding Califor-

nian regulations." Analysts in New York sted platinum there also felt the impact of an announcement by the Conference Board, an independent economic research group, showing its US consumer confidence index at the lowest point for 17 years.
"The [US] economy is not expanding and that is what's hurting platinum, said Mr William O'Neill, senior futures strategist with Merrill Lynch.

### Norway to retain lead in North Sea oil production

By Karen Fossii in Oslo

NORWAY WILL retain its top position as Europe's biggest crude oil producer throughout the decade with daily average output peaking in 1994 at a rate of 2.5m barrels, according to a report to be released this week by Edingurgh-based analyst County NatWest Wood-

North Sea production of oil and natural gas liquids is fore-cast by WoodMac to average a new record level of about 4.31m barrels a day in 1992. This will be achieved by a revival in UK from 1.76m in 1991, a 12 per cent production increase by Norway and an 8 per cent advance by Denmark

In January Norwegian production of oil and natural gas liquids surged to a record level of 2.26m b/d from 2.11m b/d in

Last year WoodMac forecast and will be maintained at correctly that Norway would overtake Britain as Europe's according to the report.

biggest producer, with daily average production rising by 13 per cent to 1.95m barrels, contributing 85 per cent of total north west Europe area pro-duction outside the UK. Norway's advance in 1991 was helped by the country's share of the Statfjord field increas ing, partly because of reallocation of the field and the payback of overliftings by UK partners. In addition, oil production from the Oseberg field was boosted to a plateau level of 450,000 b/d when 23,000 b/d was added by two new satellite fields. Also contributing to the rise was an intensive development drilling programme in the Gullfaks field. WoodMac expects oil production from Gullfaks to rise substantially this year to 400,000 b/d. Oil production from the Hod field was higher than expected in 1991

### **EC** denies Canadian fish charge

THE EUROPEAN Commission yesterday strongly denied Canadian suggestions that overfishing by EC vessels outside its 200-mile limit was a major factor in the severe depletion of its fish stocks, writes David Gardner in Brus-

Canada announced on Monday a 35 per cent cut in this year's northern cod quota to 120,000 tonnes, immediately closing the winter fishery for offshore trawlers inside Canadian waters.

Canadian officials say Spanish and Portuguese vessels last year took 42,000 tonnes of cod from the so-called 2J3KL area of the Northwest Atlantic Fisheries Organisation. The EC quota, which it sets unilater-ally, was 27,000 tonnes, and only 21,500 tonnes were reported to the community,

the officials claim.

They argue that this has a knock-on effect, exacerbating stock depletion inside Canadian waters and adding to unemployment in Newfound-land. A Canadian scientific body last week cut its estimate of the spawning stock from 1.1m tonnes in December to 780,000 tonnes. Commission officials argue

that, even if Canada is correct, it is "outrageous" to suggest that the EC's extra 15,000 tonnes was responsible. "The cause of the problem in Cana-dian waters is overfishing by the Canadian fleet . . . just as the overfishing in Scottish waters is the result of the overcapacity of the Scottish fleet." an official said.

#### Foot and mouth alert in Wales

VETS were last night investigating a suspected out-break of foot and mouth dis-ease on a Welsh farm.

Livestock movements have been banned within a five-mile radius of the the farm, in the Meidrim area, near Carmarthen. Dyfed, while laboratory tests are carried out. Tissue samples are being analysed at the Institute of

Animal Health laboratories at

Pirbright, Surrey.

#### MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets). ANTIMONY: European free market 99.6 per cent, \$ per tonne, in warehouse, 1,640-1,720 (1.630 - 1.720)BISMUTH: European free

market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse, 2 80-3 20 (same). CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 0.95-1.10

MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse,

MOLYBDENUM: European free market, drummed molybdic oxide, \$ per lb Mo, in warehouse, 2.23-2.27 (same). SELENIUM: European free market, min 99.5 per cent, \$ per lb, in warehouse, 4.80-5.50 (4.80-

TUNGSTEN ORE: European COBALT: European free free market, standard min. 65 market, 99.5 per cent, \$ per lb, per cent, \$ per tonne unit (10

kg) WO<sub>3</sub>, cif, 56-66 (same). VANADIUM: European free market, min. 98 per cent, \$ a lb V<sub>2</sub>O<sub>5</sub>, cif, 2.25-2.35 (2.25-2.40). UBANIUM: Nuexco exchange value, \$ per lb, U<sub>3</sub>O<sub>8</sub>, 8.00 (same).

LIME WAREHOUSE STOCKS (As at Monday's close) lonnes					
Aluminium	+ 20,450 to 1,107,070				
Copper	-1,400 to 307,150				
Lead	-275 to 131,700				
Nickel	+1.206 to 20.940				
Zinc	+3,800 to 199,150				
Tin	-225 to 12.660				

# Finnish farmers fear the CAP will not fit

Robert Taylor examines the problems posed by the prospect of EC membership

THE FUTURE of Finnish agriculture looks like the only serious obstacle standing in the way of suc-cessful negotiations to take Finland into membership of the European Community. Tomorrow the centre-right coalition cabinet is expected to agree on making a formal entry application and after a debate and vote in Parliament this will be forwarded to Brussels by the middle of next But Mr Esko Aho, the prime

minister, as leader of the rural ly-based Centre party is well aware of the deep anxieties among many Finnish farmers, especially in the north and central areas of the country, who fear they may lose their liveli-hoods if Finland adopts the EC's common agricultural policy. In fact, his Centre party is split badly over the EC issue. Concern about agriculture is

shared by other politicians. President Mauno Koivisto in his opening address to the new sion of parliament nearly a fortnight ago drew public attention to the need for Finnish farmers to receive some special treatment if the country joins the EC. "It is important for Finland that rural areas remain settled and agri-culture viable," he told MPs. He added, however: "Successful pursuit of these ends may he easier in a European frame-work than alone with our own

We have to make a big reform in agriculture," admits Mr Pertti Salolainen, the trade minister and leader of Fin-land's Conservative party.

"The aim must be to maintain self-sufficiency but get rid of the small size of the sector



Esko Aho: Well aware of farmers' anxieties

export subsidies and surpluses by moving to a lower level of production. However we will need quite a long transition period in the EC for our agri-culture to adapt, perhaps at least 10 years."

Finland's still influential Central Union of Agricultural Producers – the main lobbying force of the farming com-munity - is already campaigning openly against the idea of the country's EC membership. "As the backbone of thriving rural communities agriculture with forestry is a vital part of Finnish economic life," explains Mr Heikki Haavisto, the organisation's chairman It must be admitted that only an estimated 8 per cent of

the land surface of Finland is suitable for arable farming and agriculture accounts for only 3.9 per cent of the country's

does not mean that Finns who do not earn their living from the land are ready to see agriculture sacrificed as the price for EC membership. Indeed, the farmers are able to tap a strong sense of nationhood that lies deep in the Finnish nsyche. It is no trivial point that the heroes of Finland's winter war of 1939-1940 against the Soviet Union were rewarded for their bravery with portions of land

The countryside is an essential part of our national identity and cultural heritage," asserts Mr Haavisto. In the words of a recent publication from Finland's agricultural information centre: "Finnish national character is based on a close relationship with the a close relationally with a surrounding natural environment and wilds - some might even say we come from the woods. Ancient folklore embodied a mythical relationship between the earth and the for-est. Finns live on the border-line between east and west. between field and forest".

The experience of the second

world war, when Finland was forced to fight for its own sur-vival alone, strengthened belief in the need for food self-sufficiency and parity in develop-ment between the incomes of farmers and wage earners.

the far northern parts of the country Finland's farming difficulties are exarcerbated by low temperatures and an annual growing season of only about 175 days.
This has helped to ensure that
agriculture is well supported
through an elaborate regime of stringent import quotas, even on fruit like oranges and

bananas that cannot grow in Finland, as well as export sub-sidies to bridge the gap between world market prices and domestic producer prices.

The expense of all this for the Finnish taxpayer is considerable. Agricultural support amounts to over 4 per cent of the country's gross domestic product and subsidies add up to a estimated FML500 (£190) per head of population. In 1900 per head of population. In 1990 the ratio of the producer sub-sidy equivalent to the value of agricultural output was 73 per cent, compared with 78 per cent, compared with 16 per cent in Norway and 77 per cent in Switzerland but an average of only 47 per cent in the EC. At the same time producer prices in Finland are higher than almost anywhere else in

the world and twice the EC Yet farming is hardly a yet farming is hardly a lucrative business in Finland, which is a country of small farms. The average size is 14 hectares (34 acres) and nearly 60 per cent have under 10 hectares of arable land. The farming whose average age is 55.

ares of arable land. The farmers, whose average age is 55, eke out a living almost like an endangered species.

"We simply cannot compete with central European agriculture in the production and sale of milk, meat and cereals." admits Mr Aho's chief policy adviser. "Finland has too many small farmers in the far north producing too much," says Mr Haavisto at the agricultural

producers association.

In a free market for farm produce like the EC Finnish farmers would find it hard to survive as food prices in the country would fall dramatic-ally to EC levels that are only half those in Finland.

ples and objectives laid down in the Treaty of Rome on agriculture. That is all we want too. We are not asking for anything new but an agreement where the common agricultural policy can be implemented in Finland. Every time a new state has joined the EC the policy has been adjusted," argues Mr Aho's adviser.

A recent study of the pros and cons of EC membership for the Finnish economy commissioned by the government pointed out that agriculture ought to benefit from the BC's regional support policies and that Spain and Portugal were able to negotiate adjustment periods in their EC entry torus

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of 10 years. Finland will be a net contributor of about FM6bn to the BC budget as an affluent society with a strong industrial and service base. But the policymakers are convinced that Brussels will recognise the spe-cial needs of Finnish agricul-ture. "The EC may not be life and death for our farmers but it will bring major structural changes," admits Mr Aho's

Whether Finland is in or out of the EC the country's farmof the EC the country's many ing is expected to contract severely in the 1990s, with the number of farms halving over the next eight years. At the moment EC membership may seem the higgest threat to moment EU memoership may seem the biggest threat to Finnish farmers, but the Gen-eral Agreement on Tariffs and Trade's liberalising Uruguay round looks even more alarming. The country's days of isolationist self-sufficiency are drawing to a close whatever

### India to become rubber exporter

By Kunai Bose in Cochin

INDIA, THE fourth largest producer of natural rubber but traditionally an importer, is to become an exporter of the commodity this year.
Faced with an unexpected

surplus, the government has authorised growers and traders to export 14,000 tonnes by the end of March. In addition, the State Trading Corporation has been given permission to export RMA-5 grade rubber from its stocks. Exports in 1991-92 are expected to total about 20,000 tonnes.
According to Mr K. Ahmedullah, executive director of

Harrisons Malayalam, the country's largest rubber producer, India should find markets for its rubber in the West as well as in the East. Substantial devaluation of the Indian currency and liberal export incentives have made rubber exporting a practical proposi-

The Indian government took a long time to arrive at the match between production and benchmark grade remains at export decision as the rubber consumption. But, as Mr Rs21.44 a kilogram.

WORLD COMMODITIES PRICES

zm, 99.7% purity (\$ per tonne)

consuming industries, particu-larly the automotive tyre manufacturers, which have a strong lobby, were opposed to the idea. But as the rubber prices stubbornly remained below the "floor" level even after the price support opera-tion by STC, the only course left open to the government to months' requirement, which would inevitably keep rubber prices at distressingly low levshore up prices was to allow

> (Prices supplied by Amalgamated Metal Tradi AM Official Kerb close Open Inte

Total daily turnover 24,191 lots

exports. Mr K.J. Joseph, secretary of the Association of Planters of Kerala, says a sharp fall in the demand growth rate for rubber, specially from the tyre industry, which is facing severe recession, has coincided with a steep rise in production. The latest forecast is that rubber production in 1991-92 (April-March) will be 375,000 tonnes, compared with 329,615 tonnes last year, while con-sumption is expected to rise from 364,310 tonnes to about

375,000 tonnes. That would imply a perfect Joseph points out, the problem arose with the current season's opening stock of 86,000 tonnes and the importing of nearly 10,000 tonnes by private parties under the open general licence. Without exports, therefore, the next financial year, starting in April, would open with a stock equal to three

The only way the stock can be brought down is through export. But, according to Mr E.B. Unni, spokesman for the United Planters' Association of South India, export alone is not going to be enough to bring supply and demand into bal-ance. To sustain the interest of growers in rubber plantations, the minimum price must be above the cost of production, which has risen to Rs23.66 (48.8p) a kilogram while the minimum price of the RMA-4

### Nymex to co-operate with Budapest exchange

By Barbara Durr in Chicago

THE THREE-year-old Budapest Commodity Exchange is shaping up as eastern Europe's best connected market. This week it signed a memorandum of understanding for co-operation with the New York Mercantile Exchange, the third largest US futures exchange and the world's largest energy market. Budapest already has

co-operation agreements with the world's largest two futures exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange.
As part of the latest agree

ment, Budapest must offer Nymex first refusal on any energy product venture in Hungary where it is seeking another participant. The Budapest exchange is planning to launch an oil futures contract in the last quarter of this year. It already trades grain and livestock contracts, the tradi-tional products of the CBoT and CME, respectively.

The Nymex-Budapest agreement also encourages the exchange of information and the strengthening of economic and trade relations.

Mr Lou Guttman, the Nymex chairman, who was in Budapest for the signing ceremony, said that the New York exchange was "very excited about the limitless opportuni-ties which can develop as free market forces take hold in this

He said Hungary's political stability and relatively advanced economic reforms made it possible for the BCE to become the leading bourse of its kind in central Europe.

The Moscow Commodity Exchange has signed similar agreements with Nymex, the CBoT and the CME, but many the former Soviet Union will slow the development of budding exchanges in Russia and other republics.

### **MARKET REPORT**

Fresh selling by speculators and trade houses sent London robusta coffee prices tumbling to fresh 17-year lows. Dealers held out little hope of recovery in the near term. Robustas from Africa and Asia have plunged by about \$270 a tonne since the middle of January, basis the second position, which closed at \$803 a tonne after hitting a low of \$787. New York arabicas were ahead at midday on short covering. On the LME aluminium absorbed a mid-afternoon decline to session lows, shrugging off a 20,450-tonne rise in LME stocks and rallying strongly to end at seven-month nighs. Dealers said the market hit the day's lows when news

#### **London Markets**

SOOT MARKETS

Crude oli (per barrel FOB)		+ 01
Dubai	\$14,95-5,10w	
Brent Blend (deted)	\$17,40-7,45	
Brent Slend (Apr)	\$17,30-0.35	
W.T.L (1 pm est)	\$18.30-0.35w	
Oil products		
(NWE prompt delivery per k	onne CIF)	+ 0
Premium Gasoline	\$201-203	
Gas Oil	\$162-163	
Heavy Fuel Oil	<b>569</b> -70	
Naphtha	\$178-180	
Petroleum Argus Estimates		
Other		+ 01
Gold (per troy oz)4	\$350.20	+0.4
Silver (per troy oz)	411c	-1.0
Platinum (per froy 62)	\$359.50	+1.7
Palladium (per troy oz)	\$84.25	
Copper (US Producer)	105.95c	+0.7
Leed (US Producer)	37.375c	+0.3
Tin (Kusia Lumpur merket)		-0.01
Tin (New York)	261.5c	
Zinc (US Prime Weatern)	62c	
Carrie (live weight)†	106.52p	+0.8
Sheep (live weight)†	100.53p	+0.0
Pigs (live weight)	90.71p	-3.85
London daily sugar (raw)	\$205.9v	+0.9
London daily sugar (white)		-1.0
Tate and Lyle export price	2225.0	-0,5
		717
Barley (English feed)	£120 £146.5	
Maize (US No. 3 yellow)		
Wheat (US Dark Northern)	Ųną,	
Rubber (Apr)♥	52.00p	+0.2
Rubber (May)♥	52.25p	+0.2
Rubber (KL RSS No 1 Mar)	210,0m	+ 1.5
Coconus oil (Philippines)§	\$682.5v	
Palm Oli (Malaysian)§	\$382.5q	
Coors (Philippines)	\$455.0y	
Sovebeans (US)	£153.0q	0.5
Cotton "A" index	55.55c	0.10
Wooltops (64s Super)	473p	
Ç a tonne unless otherwise c-cents/lb. r-ringgli/kg. q-M Mar v-Mar/Apr y-Feb/Mar	er t-Jen/Feb	فلحنا

emerged that Russia's Krasnoyarsk aluminium smelter was continuing exports, after threats earlier this month to gradually shut the plant. An official said the Russian government had reduced expo for the expor been issued underpinned at Chile's El the possibilit spread to oth by the force Cajamarquille

SUGAL	l Londo		(S per to
Raw	Close	Previous	High/Low
Mar	183.00	179.60	181.60 179.00
May	181.40	181,00	181.80 179.00
Aug	186.00	185,60	186.00 185.40
Oct	188.00	187.60	187.00 186.00
White	Close	Previous	High/Low
May	262.1	262.0	262.5 260.4
Aug	267.3	267.5	267.3 266.5
Oct	258.5	258.4	258.3 257.0
Dec Mar	260.1		259.9
	262.6	281.4	261.0 s of 50 tonnes.
1523.26 CRUIDI	COIL - IF		\$/6
	Laigs	t Previo	us High/Low
Арг	Laigs 17.47	17.43	us High/Low 17.47 17.13
May	17.47 17.47	17.43 17.38	17.47 17.13 17.49 17.14
May Jun	17,47 17,47 17 48	17.43 17.38 17.38	17.47 17.13 17.48 17.14 17.48 17.20
May Jun Jul	17.47 17.47 17.48 17.41	17.43 17.38 17.38 17.38	17.47 17.13 17.48 17.14 17.48 17.20 17.46 17.20
May Jun Jul Aug	17.47 17.47 17.48 17.41 17.40	17.43 17.38 17.36 17.38 17.38	17.47 17.13 17.49 17.14 17.48 17.20 17.48 17.20 17.40 17.30
May Jun Jul Aug Sep	17,47 17,47 17 48 17 41 17,40 17,27	17.43 17.38 17.38 17.38	17.47 17.13 17.48 17.14 17.48 17.20 17.46 17.20 17.40 17.30 17.35 17.25
May Jun Jul Aug Sep Oct	17,47 17,47 17 48 17 41 17,40 17,27	17.43 17.38 17.36 17.38 17.38	17.47 17.13 17.49 17.14 17.48 17.20 17.48 17.20 17.40 17.30 17.35 17.25 17.40 17.25
Apr May Jun Jul Aug Sep Oct Nev IPE Ind	17,47 17,47 17 48 17 41 17,40 17,27 17,26 17,40	17,43 17,38 17,36 17,36 17,36 17,45	17.47 17.13 17.48 17.14 17.48 17.20 17.46 17.20 17.40 17.30 17.35 17.25
May Jun Jul Aug Sep Oct Nov IPE Ind	17,47 17,47 17 48 17 41 17,40 17,27 17,26 17,40 ex 17 48,	17.43 17.38 17.36 17.36 17.38 17.45	17.47 17.13 17.49 17.14 17.48 17.20 17.48 17.20 17.40 17.30 17.35 17.25 17.40 17.25
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May Jun Jul Aug Sep Oct Nov IPE Ind	17.47 17.47 17.48 17.41 17.40 17.27 17.26 17.40 ex 17.48	17.43 17.38 17.36 17.36 17.38 17.45	17.47 17.13 17.49 17.14 17.48 17.20 17.48 17.20 17.48 17.20 17.40 17.30 17.35 17.25 17.40 17.25
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May Jun Jul Aug Sep Oct Nev IPE Ind Turnove QAS Of Mar Apr	17.47 17.47 17.47 17.48 17.40 17.27 17.26 17.40 ex 17.48 ex 27.408 (1) IL - iPIE Close 159.50 158.00	17.43 17.38 17.38 17.38 17.38 17.38 17.45 17.45 17.80 90971 Previous 160.25 158.75	17.47 17.13 17.49 17.44 17.48 17.20 17.46 17.20 17.40 17.20 17.40 17.25 17.40 17.25 17.40 17.25 17.40 17.25 17.40 17.25 18.50 18.60
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	- Lond	se FOX		E/tonne	IG
	Close	Previous	High/Low		_
Mar	664	663	867 661		Ale Ca
May Jul	695 723	691 719	696 690 725 719		3 1
Sep	748	744	749 744		Co
Dec Mar	783 813	780 811	785 779 815 812		Ce
					3 1
ICCO in	dicator p	rices (SDF	of 10 tonnes às per tonne	). Delly	G
price for	Feb.24	855.05 (852	.81) 10 day	average	3 1
IOF FED.	25 849.55	(0=0.12)			Nik
COFFE	C — Lond	lon BOX		\$/tonne	Ca 3 r
	Close	Previous	High/Low		T20
Mar	776	777	780 780		Ce
May	803	807	810 787		3 :
Jul Sep	833 856	836 861	840 817 863 845		Z
Nov Jan	881 910	88 <del>9</del> 915	882 868 904 904		Ca 3 n
		(06) lots of			LN
ICO indi	cator or	ces (US c	ents per por	nd) (bm	SP
Feb. 24: age 55.8	Comp. d	tally 52.96	(54.57) 15 da	y aver-	
		arch \$442			LO
					(Pri
POTATO	MS - L	ndon FO2	<u> </u>	ennof	Gol
	Ciose	Previous	High/Low		Cla
Apr May	119.3 141.5	119,5 140,5	119,5 119.0 141.0 140.5		Mo
Apr	125.0	126.0	125.0 125.0		Day
Turnove	43 (110)	lots of 20	tonnes.		Day
					Loc 1 n
SOYAM		ondon FO		E/tonne	2 m
	129.00	Previous 128.50	High/Low		3 11
Apr		) lots of 2	129.00 128.5		SEN
	130 (12)	, 102 01 21	J WANNES.		Spc 3 m
FREIGH	T - Lone	dee FOX	\$10/ nde	ex point	6 m
	Close	Previous	High/Low		90
Feb					
	1232	1228	1230 1229		(Pri
Mar Apr	1292 1278 1318	1228 1255 1278	1289 1250		
Mar Apr Jul	1278 1318 1137	1255 1278 1101			(Pri
Mar Apr Jul BFI	1278 1318 1137 1234	1255 1278 1101 1236	1289 1250 1321 1275		(Pri
Mar Apr Jul BFI	1278 1318 1137	1255 1278 1101 1236	1289 1250 1321 1275		Kru Maj
Mar Apr Jul BFI Tumover	1278 1318 1137 1234 287 (201	1255 1278 1101 1236	1289 1250 1321 1275 1120 1105	E/tonne	Kru Mag Nev
Mar Apr Jul BFI Tumover	1278 1318 1137 1234 287 (201	1255 1278 1101 1236 )	1289 1250 1321 1275 1120 1105	E/tonne	Kru Maj Nev
Mar Apr Juli BFI Turnover GRAINS Wheet	1278 1318 1137 1234 287 (201 — Londo	1256 1278 1101 1236 ) Previous	1289 1250 1321 1275 1120 1105		Kru Maj
Mar Apr Jul BFI Turnover <b>GRAINS</b> Wheet Mar May	1276 1318 1137 1234 287 (201 — Lond Close 124,80 126,60	1255 1278 1101 1236 )	1289 1250 1321 1275 1120 1105 HightLow 124.65 124.4 128.75 128.7	10	Krus May New Allus Strill 1200
Mar Apr Jul BFI Turnover <b>GPAINS</b> Wheet Mar May Jun	1278 1318 1137 1234 287 (201 — Londo Close 124,80 126,60 130,30	1255 1278 1101 1236 ) Previous 123.60	1289 1250 1321 1275 1120 1105 High/Low 124,65 124,4 128,75 128,3 130,30 130,1	10	Kru Maj
Mar Apr July BFI Tunnover GRAINS Wheat Mar May Jun Sep Nov	1278 1318 1137 1224 267 (201 - Load Close 124,80 128,80 128,00 112,40 115,85	1255 1278 1101 1236 ) Previous 123.60	1289 1280 1321 1275 1120 1105 HightLow 124,65 124,6 128,73 128,7 130,30 130,1 112,25 115,80 115,7	10 25	Kru May New Strill 1200 1300
Mar Apr Juli BFI Turnover GPAINS Wheet Mar Mey Jun Sep Nov Mar	1278 1318 1137 1234 287 (201 - Loads Close 124,80 126,80 130,30 112,40 115,85 122,85	1255 1278 1101 1236 ) Previous 123.80 127.85	1289 1280 1321 1275 1120 1105 HightLow 124,65 124,4 128,75 128,2 130,30 130,1 112,25 115,80 115,2 122,80 115,2	10 25	Krus May New Strill 1200 1400 Copp 2150
Mar Apr Apr Apr BFI Turnover GRAINS Wheet Mar May Jun Sep Nov Mar Berley	1278 1318 11197 1234 287 (201 — Lond Close 124.80 125.80 130.30 112.40 115.85 122.85 Close	1256 1278 1101 1236 ) Previous 123.60 127.65 115.75	1289 1280 1321 1275 1120 1105 HighrLow 124,65 124,4 128,75 128,4 130,30 130,1 112,25 115,80 115,7 122,80 HighrLow	10 25	Kru Maj New Strill 1200 1400 1400 2150 2250
Mar Apr Apr Apr Apr Apr Apr Apr Mar Mar May Jun Sep Nov Mar Berley Mar	1276 1318 1317 1234 287 (201 - Load Close 124.80 128.60 130.30 112.40 115.85 122.85 Close 116.45	1256 1278 1101 1296 ) ) Previous 121.60 127.95 115.75	1289 1280 1321 1275 1120 1105 HightLov 124.65 124.4 128.75 128.4 130.30 130.1 112.25 115.80 115.2 122.80	10 25	Pri   Kru May New   178 / 1200   1300   1400   1200   215   225   235   1300   1400
Mar Apr Apr Apr Apr Apr Berlover Mar May Jun Nov Mar Berloy Mar May	1276 1318 1317 1234 287 (201 — Lond Close 124,80 128,80 130,30 112,40 115,85 122,85 Close 116,45 118,75	1255 1278 1101 1296 ) Previous 123.60 127.95 115.75 Previous 115.25 118.40	HightLow 124.65 124.65 124.65 124.65 124.65 124.65 124.65 124.65 124.65 124.65 125.60 115.25 115.80 115.25 115.80 115.25 115.80 115.25 115.80 115.25 115.80 115.25 115.80 115.25 115.80 115.25 115.80 115.25 115.80 115.25 115.80 115.25 115.80 115.25 115.80 115.25 115.80 115.25 115.80 115.25 115.80 115.75	10 25 0 0	(Pri   Kru   Mey   Mey
Mar Apr Apr Apr Apr Apr Berit Wheet Mar Mer Mer Mer Mer Mer Mer Mer Mer Mer Me	1278 1318 1317 1234 287 (201 — Lond Close 124,80 128,80 128,00 115,85 Close 115,85 Close 116,45 118,75	1255 1278 1101 1296 ) Previous 123.60 127.95 115.75 Previous 115.25 118.40	HightLow 124.65 124.4 128.75 128.75 128.2 130.30 130.1 122.80 HightLow 115.80 115.7 122.80 HightLow 115.50 118.75 Sarley 179 (1	10 25 0 0	(Pri   Kru   May   May
Mar Apr Apr Apr Apr Apr Berit Wheet Mar Mer Mer Mer Mer Mer Mer Mer Mer Mer Me	1278 1318 1317 1234 287 (201 — Lond Close 124,80 128,80 128,00 115,85 Close 115,85 Close 116,45 118,75	1256 1278 1101 1236 1 1 1236 1 1236 1 124.05 1 15.25 116.75 1 16.75 1 115.25 1 118.40	HightLow 124.65 124.4 128.75 128.75 128.2 130.30 130.1 122.80 HightLow 115.80 115.7 122.80 HightLow 115.50 118.75 Sarley 179 (1	10 25 0 0	(Pri   Kru   Mey   Mey
Mar Apr Juniover Tunnover GRAINS Wheel Mar May Juniover Mar Mar Mar Mar Tunnover	1278 1318 1317 1234 287 (201 — Lond Close 124,80 128,80 128,00 115,85 Close 115,85 Close 116,45 118,75	1256 1101 1236 1101 1236 ) per FOX Previous 121.65 115.75 Previous 115.25 118.40 118.40 100 Tonnes	HightLow 124.65 124.4 128.75 128.75 128.2 130.30 130.1 122.80 HightLow 115.80 115.7 122.80 HightLow 115.50 118.75 Sarley 179 (1	50 25 25 25 25 25 26 30 30 30 30 30 30 30 30 30 30 30 30 30	Pri   Kru   May   May
Mar Apr Juniover GRAINS Wheet Mar May Juniover Mar Mar Mar Mar Mar Tuniover Tuniover	1278 1318 1317 1234 287 (201 - Lond Close 124,80 128,80 130,30 112,40 115,85 122,85 Close 116,45 118,75 : Wheat & lots of 1	1256 1278 1101 1236 1 101 1236 1 1236 124.65 127.65 115.75 Previous 115.25 118.40 118.40 118.40 100 Tonnes	1289 1295 1321 1275 1120 1105 1120 1105 1124,65 1244 128,75 128.2 130,30 130.1 112,25 115,80 115,7 112,80 115,50 115,50 118,75 3arley 179 (1	50 25 25 25 25 25 26 30 30 30 30 30 30 30 30 30 30 30 30 30	Pri
Mar Apr Juli BFI Turnover GRAINS Wheet Mar May Jun Sep Nov Mar Mar May Turnover Turnover	1278 1318 1318 1317 1234 287 (201 28.80 124.80 125.80 130.30 112.40 115.85 122.85 Close 116.45 118.75 Wheat (lots of 1 London 1	1256 1278 1101 1236 1101 1236 ) per POX Previous 121.60 127.65 115.75 Previous 115.25 118.40 1385 (248), E 00 Tonnes.	HighrLow HighrLow 124,65 124,6 124,6 124,6 124,6 124,6 124,6 124,6 124,7 128,7 128,2 130,30 130,1 112,25 115,80 115,50 118,7 3arley 179 (1 18,5 3arley 179 (1 18,5 5 18,5 5 18,5 5 18,5 6 18,5	50 25 25 25 25 25 26 30 30 30 30 30 30 30 30 30 30 30 30 30	Pri
Mar Apr Juli BFI Turnover  GRAINS Wheet Mar May Jun Sep Nov Mar Mar May Turnover Turnover  PIGS -	1278 1318 1137 1234 287 (201 - Londo Close 124.80 125.80 130.30 112.40 115.85 122.85 Close 116.45 116.45 116.45 116.50 1	1256 1101 1236 1101 1236 1 1236 1 1236 1 124,69 127,65 116,75 116,75 116,75 116,40 118,40 118,40 118,9 118,9	1289 1295 1321 1275 1321 1275 1120 1105  HightLow 124,65 124,4 128,75 128,7 130,30 130,1 112,25 115,80 115,7 112,280  HightLow 118,75  Sarley 179 (1 18,75  118,75  118,75  118,75  118,75	50 25 25 25 25 25 26 30 30 30 30 30 30 30 30 30 30 30 30 30	Pri
Mar Apr July Apr July Apr Mar Mar Mar Mar Mar Mar Mar Mar Mar Ma	1278 1318 1318 1317 1234 287 (201 28.80 124.80 125.80 130.30 112.40 115.85 122.85 Close 116.45 118.75 Wheat (lots of 1 London 1	1256 1278 1101 1236 1 101 1236 1 122.60 127.65 115.75 Previous 115.25 118.40 268 (248), E 200 Tonnes.	HighrLow HighrLow 124,65 124,6 124,6 124,6 124,6 124,6 124,6 124,6 124,7 128,7 128,2 130,30 130,1 112,25 115,80 115,50 118,7 3arley 179 (1 18,5 3arley 179 (1 18,5 5 18,5 5 18,5 5 18,5 6 18,5	50 25 25 25 25 25 26 30 30 30 30 30 30 30 30 30 30 30 30 30	Pri

Turnover:52 (41) lots of 3.250 kg

	10 pc	1007 14 1-	-				TOTAL DE	My MM 18040	. 27,181
Cash	1315-6		10.5-1.5	1315/1314		1314-5	4040.7		
3 months	1341-2		87-7.5 	1347/1325		1340-1	1346-7		8,154 lot
Copper, Gr Cash	1275.5-6.5		77-8	1284/1278	. ,	1285-5.5	- von de	ily turnow	47,709
3 months	1294-5		98.5-9	1305/1294		1304.5-5.0	1297-7.	5 12	1,082 lot
Leed (£ per							Total d	ully turnov	er 1,659
Cash 3 months	1128.5-7.5 290,25-0.7		8.25-8.75 0-0.25	904 E/204		892.75-3.0 903-3.5	900.0		497 144
Mickel (\$ pe		. JU	-427	304.5/302	-		302-3	14 Uly turnov	,437 lots
Cash	7990-8000	801	10-20	8030	-	020-5	10221 G	mly writer	<del>- 4,000</del>
3 months	8050-60		85-75	8110/8010		9080-90	8015-20	22	,440 lots
Tin (S per t	onne)						Total de	ziły turnov	er 1,672
Cash 3 months	5855-65 5695-700		55-65 35-705	5835/5630 5710/5875	5	635-40 670-5	5690-96		126 lots
Zinc, Speci								ly turnove	
Cash	1126.5-7.5		19,5-20,5	1126		125.5-6.0		.,	10,010
3 months	1146.5-7.0		39-40	1149/1143	1	145.5-6.0	1148-9	43,	,935 lots
LINE Clocks SPOT: 1,757			onths: 1.7	/219	aı	months; 1.	7108	9 100	onths: 1,6
		_							
			_		Ne	ew Y	ork		
LONDON II (Prices sup					COL	D 100 troy	oz.; S/troy e		
Gold (fine o			viupe 2	alent	_	Close	Previous	High/Los	~
Clase	350.00-3	50,40			Feb	349.4	349.8	351.0	349.5
Opening	350.50-3		200 04-		Mar	349.6 350.6	350.1	G	0
Morning fix Afternoon fi	× 350.60		200.945 199.431		Apr Jun	352.8	351.1 353.3	3 <u>52.</u> 4 354.4	350.5 352.7
Day's high Day's low	351.10-3 349.60-3				Aug Oct	355.0 357.2	355.6 357.8	358.5 358.8	355.4 356.8
Loco Ldn N			Bates 6	Ve 11001	Dec	359.6	360.2	361,5	359.4
1 month	3,59		onths	3.64	Feb Apr	352.0 384.4	362.7 355.2	0 353.5	0 351.5
2 months	3.59		months	3.64			roy oz S/tro		301.0
3 months	3.59					Close	Previous	High/Lov	
Silver fiz	p/fine or	<u> </u>	US cts	aguly	Feb	360.1	360.1	0	0
Spot 3 months	236.30 242.05		412.50 416.60		Mar	360.0	0	G	0
B months	248.10		421.35		Apr Jul	353.4 353.2	358.4 358.0	360.5 360.0	351.0 351.0
12 months	259.55		431.75		Oct	356.4	361.1	360.0	357.0
BOLD COD						356.4	381.3	358.5	353.5
Prices supp					SILVE	Close	oy oz; cent		
<del></del>	\$ price		P equiv		F.L		Previous	High/Lov	
Krugerrand Yapia laak		-351.50 -382.00	199,50 205,50		Feb Mar	406.5 406.8	409.0 409.3	0 413.0	0 406.5
New Sovere			48.75-4		Apr	408.3	410,8	0	0
RADED O	WINDHA .				May	410.2 413.5	412.7 416.1	416.0 419.0	410,0 413,5
		A	_		Sep	417.0	419.5	420.5	419.0
Cuminkan (		Cells		Puts	Dec Jan	<b>422.</b> 4 <b>424.</b> 1	425.0 426.7	428.5 G	421.5 Q
Strike price	a poune De	ec Jar	n Dec	<b>Jei</b> u	Mar	428.3	431.0	433.5	429.0
1200 1300					May	432.7	435.5	D	0
400					HIGH		OPPER 25,0		
Copper (Gra	de A)	Calls		Puts		Close	Previous	High/Lov	
2150					Feb	102.00	102.05	102.35	101.80
290					Mar Apr	102.00 101.80	102.15 102.10	102.40 102.30	101.75
350					May	101.55	101.75	102.00	101.85 101.30
iofiee	14	ay Jul	May		Jun	101.15	101.35	0	0
50	- 61		8		Jul Aug	100.70 100.50	100.90 100.70	101.10 100.70	100,70
100	28		25	29	Sep	100.30	100.50	100.70	100.70 100.50
50			<u>58</u>	65	Oct	100.20	100.35	100.35	100.35
,000t	M	ay Jul	May	Jed .	Nov	100.10	100.40	0	<u>0</u>
75	36		16	15	SUUA		*11" 112.00		
00 25	23 15		28 45	26		Close	Previous	High/Low	<u> </u>
	15	36	45		Mar	8.16	6.12	8.18	B.00
<i>-</i>	A	w Ma	у Арг		May Jul	8.15 8.31	8.12 8.27	8.18 8.33	8.02 8.20
kreat Crade					Oct	8.45	8.40	B.45	8.31
			12						
Irest Crade 650 700	52		12 29		Mar	8.73	8.61	8.64	8.54
Inest Crade 650			29 54	70	Mer Mey Jul	8.73 8.73 8.65	8.63 8.66	8.64 0 0	0

_		2,000 US ga				nicaç	,~		
	Close	Previous	High/Los	W	- SOY	ARFANS S	,000 by min;	Cente/60th I	_
r	5135	5158 5150	5150	5060		Close	Previous	High/Lov	
r	5142 5115	5119	5150 5125	5050 5040	Mar	577/2	580/0	582/2	_
ī	5101	5104	5115	5040	May	587/2	589/0	581/B	
,	5131 5206	5138 5206	5140 5220	5075 5160	Jul	596/2	598/6	601/4	
	5341	5341	5340	5300	Aug Sep	599/6 603/0	603/4 605/4	604/6	
	5451	5451	5470	5430	Nov	611/4	614/6	607/0 618/6	
	5551 5651	5551 5651	5560 5665	5550 5615	Jan	620/4	623/4	626/0	
_				2012	_ Mar	631/0	632/4	635/0	
v		es;\$/tonner			_ <u>SOY/</u>	MEAN OI	L 60,000 lbs;	cents/fb	
_	Close	Previous	High/Lox			Close	Previous	High/Lov	,
,	1080 1101	1069 1092	1088 1112	1077 1095	Mar	19.71	19.86	19.86	_
	1136	1128	1148	1133	May Jul	20.03 20.32	20.16 20.47	20.17 20.47	
	1171	1164	1177	1173	Aug	20.50	20.68	20.47	
; _	1220 1256	1213 1249	1229 1255	1217 1255	Sep	20.62	20.76	20.76	
,	1283	1275	٥	0	Oct Dec	20.72 21.15	20.87 21.25	20.83	
	1305 1339	1299 1329	0	0	Jan	21.15	21.25	21.20 0	
	1374	1364	0	0 0		_		-	
Ė		.500fbs; cer			SOY	BEAN ME	AL 100 tons	\$/ton	
_	Close	Previous	High/Lov	<del></del>		Close	Previous	High/Low	<del>,</del> –
_	66.40	55.05	66,60	64,70	Mar	174.6	175.2	175.5	-
,	68.00	65.80	68.25	66.15	May	177.2	178.0	178.3	
	71.00	89.60	71.00	68.80	Jul Aug	179.8 180.6	180.6	181.2	
:	73.50 77.25	72.35 76.00	73.50 77.25	71.75	Sep	181.9	182.0 182.9	181.8 183.2	
	80.50	76.00 80.00	77.25 80.50	75.50 80.00	Oct	195.2	197.2	197.0	
	84.25	83.00	0	0	Dec	198.0	198.5	198.0	
	86.50	85.00	86.00	85.00	Jen	198.5	199,4	0	
04	OIL (Lig	ht) 42,000 L	IS gells \$/	barrel	- MAIZ		min; cents/	56lb bushel	
_	Close	Previous	High/Low		· <del></del>	Close	Previous	High/Low	
	18.48	18.43	18.52	18.13	- Mar May	262/6 268/6	263/4	28-00	Ī
	18.60	18.55	18.65	18.29	Jul	268/6 274/0	270/6 278/0	271/2	
	18.77 18.67	18.72 18.79	18.79 18.90	18.47	Sep	270/6	272/6	278/4 273/4	
	18.92	18.82	18.90 18.90	18.59 18.65	Dec Mar	267/6	269/4	270/4	
	18.94	18.63	18.88	18.67	May	274/0 278/0	275/6 279/2	276/8	
	18.96 18.99	18.54 18.87	18.95 18.93	18.72 18.87	,		ar <	280/0	
	19,02	18.90	19.00	18.80	WHE	17 5,000 h	u min; cents.	South the second	_
	19.00	18.89	19.00	18.80		Close	Previous		_
го		cents/tbs			Mar	408/2	408/2	High/Low	_
_	Close	Previous	High/Low		May	403/2	405/2	412/4 406/8	
_	55,10	53.45	55,10	53.45	, Jul Sep	380/4	385/6	365/4	
	57.15	55.58	57.58	55.45	Sep Dec	384/6 395/0	390/2 400/2	390/0	
	58.65 60.00	57.04 50.50	59.04	56.95	Mar	398/4	400/2 403/D	400/0 401/0	
	60.40	59.30 59.86	60.20 60.70	59.20 59.83	LIVE		1,000 lbs; cer	701/0	
	61.85	61.30	0	99.83 D		Close			_
	62.35 62.85	61.85 62,38	61.75	61.75			Previous	High/Low	_
			<u> </u>	0	Apr Jun	77.075	78.325	77.150	_
K	RE JUICE	15,000 lbs;	cents/fbs		Aug	73.150 89 175	72 575 68 636	73 175	
_	Close	Previous	High/Low		Oct	68,775	68.625 68.450	69,200 68,800	
	141.55	140.10	142.20	140.80	. Dec Feb	69 350	69.100	69 350	1
	137.80	136.95	138.40	136.85		08 725	69.700	ER GAA	
	136,00 132,25	135.05 191.60	137.00	135.15	LIVE	10GS 40.0	00 lb; cents/	lbs	-
	125.25	131.50 123.50	133.00 0	133.00		Close	Provious		_
	125.25	123.55	124.50	0 124.00	Apr	39 875		High/Low	
	125.25	123.55	124.60	124.50	Jun	44 450	39.425	40.000	7
	125.25	123.55	0	0	Ju)	44,600	44.30 <u>0</u> 44 650	44.550	ì
	125.25	123.55	0	0	Aug	43.250	43 425	44.850	
_					Oet Dec	40.450	40.450	43.500 40 600	4
	:E8				Feb	43.325	43.300	43 400	
П	ERS (Bas	e: Septemb	er 18 1931	= 1/00	Apr	44.000 42 350	44 025	44.150	
_	Feb.28	Feb.24	manth age				42.600	0	-
	1596.4	1600.5	1594.2	1674,9		- CLANES	0,000 lbs. cc	mts/lb	
٧.		ese: Dec. 3		1004		Close	Previous	High/Low	
_	Feb.24	Feb.21			Mar May	33.550	33.275	33 500	Ţ
-	118,57	118.72	mnth ago		Jul	35.026 36.075	34.650	35 150	20.00
		110.12	115.20	123.67	Aug		35 725	36 275	
5		122.07	127.00			27.70	36 644		
	s 121,32	122.07	122.62	127.84	Feb Mar	35.250 47.600 46.500	35 275 47 150	35 850 47 750	

#### **LONDON STOCK EXCHANGE**

### Early losses reduced in brisk trading

NERVES flinched on the UK stock market yesterday after-noon when Wall Street fell heavily in early trading. London quickly recovered its poise, but its loss of 129 left the FT-SE once again below the 2,550 mark. Traders sounded unperturbed, however, pointing out that UK stocks had stood up well to a mixed bag of trading results from some of the market's big

 $\{x_{i}, x_{i}, x_{i}, x_{i}\} \in \mathbb{R}^{n}$ 

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Chicago

Equities were easier at first, but then turned higher as optimism for a base rate cut flick-ered off and then on again. Traders also tried to read the implications for sterling of yesterday's reduction in repo rates by the Bank of Spain. However, with Budget Day now less than a fortnight away. most UK analysts doubt if

Account	Dealing	Dates
'First Pestings: Feb 10	Feb 24	Mar 9
Option Declaration Feb 20	ne: Mer 5	Mar 19
Lest Dealings: Feb 21	Mar 6	Mar 20
Account Day: Mer 2	War 16	Mar 30
Ties line dealing 8.30 em two bush	ess days e	place from ertler.
there will be	a move	in domes

tic rates until then.
The conflicting range of uncertainties ensured an erratic session for share prices. The Footsie Index gained 13.1 in early trading only to plunge to a net loss of 15.6 when Wall Street opened. With the Dow reducing its early setback from 40 to 22 points by the time Lon-don closed, the UK market

The final reading put the

of its turnover, had only risen

by I per cent. There was also

concern that overall growth for

this year would be less than the 15 per cent previously

forecasts and the "A" fell to close a net 13 down at 915p, the low for the day, with 3.3m traded. There was also a feel-

ing that investors may mow begin to switch from the "A" shares into the Units, which

represent five shares but ulti-mately will be brought into line with the "A" by the split. The Units gained 25 to 4190p.

Anglo-Dutch conglomerate

Unilever finished 30 lower at

938p on disappointment with

the year's results, particularly by US investors. Unilever fell in early trading as profits of £1.792bn, against £1.782bn last

year, came in at the lower end

of analysts' forecasts. But Mr

Carl Short at Nomura

suggested the performance was better than it looked if a nega-

tive currency impact and exceptional items were

stripped out. After a final divi-dend of 13.91p the total payout

The shares rallied as chair-

man Sir Michael Angus

remained cautious about the

outlook for 1992 but described

the latest figures as a good

solid performance. A later slide

in the share price followed Wall Street's decline and also

reflected a US move out of

defensive stocks, such as Uni-

Leading property shares

were depressed as a large seller of Land Securities moved into

to 440p, Hammerson Ordinary 9 to 468p, MEPC 9 to 348p and

lever, and into cyclicals.

rose 4.3 per cent to 18.94p.

Unilever setback

Analysts left to review their

FT-SE Index at 2,546.8 for a net fall on the day of 12.9. "Not a bad performance in view of the uncertainty in the US market," commented the leading trader at a London investment bank. Seaq volume increased to 511m shares from the 440.5m traded in the previous session. reaced in the previous session.

Yesterday's total took in heavy trading in the group of blue chip stocks which dominated the market after disclosing their respective trading state-

In one of its heaviest trading sessions, National Westminster closed firmly, although the ini-tial gain which reflected satisfaction with the trading results and dividend payment were trimmed before the end of the session. However, the Footsie was pulled down by a sharp fall in Unilever, as investors

by the weak early Wall Street performance. Glazo was the most heavily traded stock on the New York exchange during the first few hours of dealing and fell 20 to 793p, Reuters Holdings lost 9 to 1155p and Rothmans International "B" shed 6 to 1085p. However, Han-son continued to receive sup-

son continued to receive sup-

port from a number of analysts' buy recommendations

and held a gain of 21/4 at 215p. BAT Industries was helped

by the announcement that it had signed a letter of intent to

negotiate a joint venture with three cigarette factories in the Ukraine. The shares were

firm at 656p.
Turnover in BP was high at

24m shares, with the price

firming a penny to 259p. French oil company Elf-Aquitaine amounced it had bought

BP's refining and marketing operations in West Africa and

Tunisia for an undisclosed sum. The deal involves 650 ser-

vice stations in 12 countries.

business Starmin was the most

heavily traded stock in the

London market as a number of

large blocks of shares were

dealt. A spokesman for the company said several long-

term shareholders no longer

linked with Starmin had

decided to off-load their stakes

and these were sold through the market to institutions at

11p a share. A total of 30m shares went through the Seaq electronic ticker and the price

of the stock closed unchanged

said it expected improved 1991 profits and an increased final dividend.

364p as County NatWest and

S.G. Warburg reiterated their

ECC gained 7 to 528p after it

Engineering and quarrying

Shell eased 3 to 442p.

showed disappointment with very modest profits growth for the year, and by a smaller fall in SmithKline Beecham which met market forecasts by moving above the £1bn profits

mark.
The lesson appeared to be accept bad corporate news, provided that it is no worse than expected Midland Bank. whose dividend announcement tomorrow could be the litmus test for the sector, held steady yesterday.
Wall Street's reaction to the

fall in the US consumer confi-dence index to its lowest level for 17 years clearly upset Lon-don but did not produce the setback predicted until recently by those analysts convinced that Wall Street is over-

FT-A All-Share Index

**Equity Shares Traded** 

800 600

rket businees & Oversees turn

Rolls-Royce ended 2 better at

143p as the market continued

to expect the announcement

later this week of an engine

offer from Cathay Pacific, the

Hong Kong airline. Bargain hunters and a reiter-

ation by Kleinwort Benson of its positive stance on Siebe left

the shares 7 up at 5779.

Press reports that Ford is to create a chain of fast-fit garages as a rival to Kwik Fit

weakened the latter's shares

Electronics group Unitech

by 12 to 1880 on 3m turnover.

advanced 7 to 208p after an announcement by its largest

Switzerland. Electrowatt said it was considering its position

after failing to agree terms for

a joint takeover of Unitech

with another large share-holder. Turnover reached 1.1m

shares as the market specu-lated on which interested par-

Early strength in ICI was

eroded by the market's after-noon fall. The shares climbed

18 initially with the help of a buy note from County NatWest

but closed a net 3 off at 1314p.

Saatchi & Saatchi continued to attract attention, the shares

slipping 1/2 to 16%p on heavy

turnover of more than 22m

shares. US investment groups FMR Corp and Fidelity Interna-

tional announced that they had between them taken a 3.05 per

cent stake (47.8m shares) in the

company.

The renewed interest in

advertising companies bene-fited Gold Greenlees Trott,

which picked up 6 to 220p. Publisher Pearson was 3 firmer at 795p after touching 800p. Marketing services group Holmes & Marchant slumped

Richard Abraham, formerly finance director of AMI Healthcare, has been appointed finance director of BUPA

Philip Wroughton, chairman

analyst at County NatWest

British Alcan Primary and Recycling division, has been

appointed financial director of VICKERS Defence Systems

Wood Mackenzie.

■ Michael Pitt-Payne, formerly

HEALTH SERVICES.

ties might enter the fray.

shareholder, Electrowatt,

1992

Across the full range of the market, falls in share prices were modest. Retail stocks eased as hopes of an immediate cut in base rates faded again, but losses among such sector leaders as Marks and Spencer and Kingfisher were slight.
The property sector, also

sensitive to interest rate moods, gave ground but losses here were blamed on more immediate reports of bearish developments in London's office rental market, which has already borne down heavily on the shares of property firms. However, a more positive factor was the relatively steady

performance from the blue chip oil companies which fell heavily last week following profits statements from BP and Shell but resisted transatlantic influence vertexed as influences vesterday.

35 to 25p on announcing that, as a result of difficult trading conditions, it is unlikely to pay a final dividend. In a mainly depressed stores sector, Sears put on 2 to 103p on turnover of 4.6m shares.

gradings after the annual meet-ing. Earlier the shares touched 961p on news of a proposed

MARKET REPORTERS: Christopher Price, Colin Millham,

■ Other market statistics, including the FT-Actuaries Share India-ces and London Traded Options, Page 19.

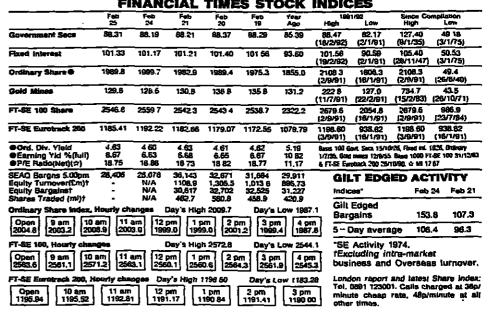
on turnover of 4.6m shares. Boots fell 8 to 459p as US credit rating agency Standard & Poor's lowered its ratings on the company's debt. Northern-based supermarket group Wm Morrison firmed 2 to 299p, with BZW predicting that the company "should easily achieve the fastest profits growth out of any superstore major" of any superstore major". J. Sainsbury continued to ben-efit from Monday's recommendation by UBS Phillips & Drew,

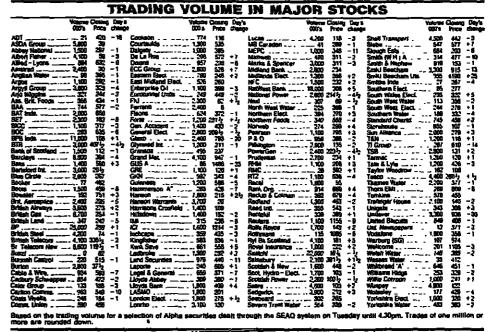
gaining 1% to 391%p.

Bass was a firm feature in a generally weak brewing sector. The company's US exposure pulled the shares down from the day's high, but they still ended 3 ahead at 560p, supported by a joint venture between Bass's subsidiary Coral Racing and the Tote to promote off-racecourse pool betting.

Grand Metropolitan reversed an early rise to end a penny off at 947p, following profits downtwo-for-one share split.

Joel Kibazo, Peter John.





#### **EQUITY FUTURES AND OPTIONS TRADING**

LONDON SHARE SERVICE

THE ABSENCE of any signs of reduction in UK interest rates, together with figures showing a fall in US consumer confi-March, sending it to the day's high of 2,596 as dealers antici-pated that the Bank of England might soon follow dence, caused a retreat in FT-SE stock index futures after an initial jump, writes

The March contract, having It did not, and selling folstarted the session at 2,579, lowed which gathered pace with the release of poor US consumer confidence statissaw light selling. The downward trend was, however, reversed by speculation, later confirmed, of a 0.25 per cent consumer confidence statis-tics. These, in turn, led to falls on Wall Street, once again

cut in the Bank of Spain's offi- hurting March. cial intervention rate. This triggered a squeeze in March closed at 2.557.

around 4 points above its esti-mated fair value premium to cash of about 6. Turnover reached almost 7,000 con-Traded options remained

dull, turnover reaching 24,491 contracts, with the FT-SE 100 index option trading a total of 8,872 lots. British Airways was the busiest stock option, trad-ing 1,744 lots.

### Heavy trade in **NatWest**

HEAVY turnover in National Westminster Bank saw the shares jump 24p in early trad-ing following the bank's wellreceived results, which included a near 80 per cent drop in profits and provisions for bad debts of £1.9bn. The bad news was nearly all expected, and the more positive aspects - including a main-tained dividend - removed any worries over the need for a

The stock's rise was eroded by profit-taking, leaving a net gain of 5 at 308p after turnover of 17m. Traders said the sellers of the stock were those who had bought at around the 264p level in mid-January; the buyers, even at yesterday's high of 327p, were institutional investors as the stock remains a long-term buy on most analvsts' lists.

Nomura analyst Mr Mike Fesemeyer has moved to a short-term hold. He said: "The results were a mixed bag. On the one hand, the bank is starting to get costs under con-trol, but it is still not getting the returns on equity it should." Goldman Sachs also moved to a short-term hold, shaving its pre-tax forecasts but seeing the bank as "now moving in the right direction".

Panmure Gordon remains a buyer, arguing that "NatWest's potential for recovery is enorterms of provisions is behind it. The broker is looking for £755m of pre-tax profits this year, and £1.26bn in 1993, while Goldman Sachs is on £630m and £1.175bn respectively and Nomura on £527m and £1.1bn.

#### SmithKline volatile

Pharmaceuticals group SmithKline Beecham saw a volatile performance after announcing profits and a full-year dividend in line with expectations and a proposal to split its "A" shares and Units.

The shares drifted in the morning but were marked up as traders responded to a headline 17 per cent rise in 1991 profits to £1bn. However, the gains were eroded by a weak early Wall Street showing and reversed by an uneasy reaction to the company's meeting with

At the meeting, the company pointed out that underlying sales for pharmaceuticals, which constitute around half

#### positive stances on the stock. Turnover reached 1.7m shares. British Land 5 to 242p. International shares were hit

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NEW HIGHS (180).

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#### **NEW HIGHS AND LOWS FOR 1991/92**

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at 13½p.

BRITISH FUNDS

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#### **APPOINTMENTS**

### Utilising expertise



■ Clydesdale Bank, the Glasgow-based subsidiary of National Australia Bank, is appointing Charles Love, chief executive of TSB Bank Scotland and head of branch bank ing for TSB Bank, to succeed its chief executive Richard Cole-Hamilton when he retires

at the end of this year.

Love, who is 46, has spent his entire career with TSB and has been based in Edinburgh since early 1990. His job there was recently widened to include all TSB's retail banking operations, which are run

rom Birmingham.

Cole-Hamilton, 58, said last
July that he would retire by
the end of this year and headhunters were appointed to find
a successor both externally and from inside the bank. He has been chief executive since 1982 and presided over the bank as it was sold by Midland

Love, a Scot who was born near Edinburgh, will join Clydesdale Bank in a few



William Alexander as manag-ing director of Thames Water Utilities will enable Mike Hoffman, group chief executive of Thames Water, to concentrate more on developing the non-utility businesses of the group. Hoffman previously combined both roles.

Expansion away from the core businesses of water supply and sewage disposal, which are heavily regulated, has been

London Weekend Television yesterday appointed its young-est ever executive director – 29-year-old Neil Canetty-

slow but steady at Thames, the biggest of the 10 former regional water authorities privatised over two years ago. It now accounts for annual turn-

ble for Thames Water's invest-ment programme of £400m a year as well as research and development and laboratories.

pany, has been made group director, corporate activities. He will have special responsi-bility for the environment and relations at corporate level. Richard Marshall becomes group personnel director.

### Piloting LWT

Clarke. Canetty-Clarke, who came to the London television com-pany from Morgan Grenfell Securities, has been appointed deputy director of finance of LWT (Holdings) and director of finance designate. He will succeed Peter McNally, group finance director, when he

of CT Bowring, has been appointed chairman of MARSH & McLENNAN Inc, the over of over £250m.

Alexander, 45, was formerly technical director of the utilities. He joined Thames in 1989 Marsh & McLennan Companies. M John Dunsmore has been appointed to the board of MARSTON, THOMPSON & EVERSHED; before joining from British Coal where he was head of engineering. The technical division is responsithe company he was brewing

Two group appointments have also been announced at Thames. Bill Harper, deputy chairman of the utilities com-

retires at 60 in March 1992.

tain threshold. The first hurdle towards that has already been cleared - retaining the franchise. Neil Canetty-Clarke is well qualified for the high life at LWT; he has a private pilot's

financial director and company secretary of Cape Building Products, is promoted to company secretary of CAPE, on the retirement of John ■ David Searles, finance director of Tioxide, has been appointed a director of ICI SPECIALITIES. m Christopher Shaw, formerly and of British Syphon, is appointed group and of AYNSLEY; he takes over from retires at 60 in March 1992.
Canetty-Clarke, an Edinburgh University commerce graduate, joined LWT to work on the company's capital reorganisation. This process could well make millionaires out of some of the top people at LWT if the share price clears a certain threshold. The first Bill Daymond who retires at the end of March. ■ Michael Healy is appointed commercial director in charge of UK and international sales and marketing operations for PARCELFORCE; he moves from Federal Express. ■ Bryan Thompson, formerly finance and planning director,

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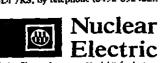
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### **Electricity contracts** for differences.

Nuclear Electric plc hereby announces its intention to hold a Spring Auction for two-way contracts for differences against the Pool Purchase Price of electricity for England and Wales for the period 1st April 1992 to 31st March 1993, the period lst April 1992 to 31st March 1994 and for the period 1st April 1992 to 31st March 1995 ("the Periods").

This offer is open to those of sufficient financial standing. entering into contracts with whom, will not place Nuclear Electric plc in breach of its permission to contract under the Financial Services Acr 1986 ("Eligible Parties"). Contracts will be allocated on the basis of prices offered under the terms of the offer which will, at the discretion of Nuclear Electric plc, be forwarded to Eligible Parties responding to

this advertisement. In order to receive details of the terms of the offer, including details of the contracts on offer, interested parties should contact Mr. S. B. Smith or Miss S. R. Kelly, Marketing and Sales Dept., at Nuclear Electric, Barnett Way, Barnwood, Gloucester, GL4 7RS, by telephone (0452-652422).



The Directors of Nuclear Electric pic accept responsibility for the consents of that adversaments. This adversament has been approved for the purposes of section 37 of the Founcial Services Art 19864; the Art 719 BOO Brades Handlen, a tign authorised to carry on anotherisment buttoms as the United Kingdom and regulated in an disong by the Institute of Chartered Accountains in England and Wales, a recognised projectional body approved for that purpose under the Act by the becurities and lavestment Board.

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FINANCIAL FUTURES AND OPTIONS

### Fearful consumers hurt dollar

end at DM 1.6575 in New York. Against the yen, the dollar had performed more strongly,

helped by an absence of the half-expected Japanese govern-ment intervention and by polit-

ical pressure for lower yen interest rates. On Tuesday, the

interest rates. On Tuesday, the dollar closed in Tokyo at Y 129.32, and moved in a narrow range in European trading, reaching a high of Y 129.91 before ending at Y 129.20, slightly above Monday's close of Y 129.15. Against sterling the US unit closed at \$1.7610, down from an opening \$1.7655.

from an opening \$1.7525.

Among European currencies, there was an easing of Spanish interest rates as the Bank of

Spain's intervention rate fell from 12.65 per cent to 12.40 per cent. The move was primarily a result of strains within the EMS, not domestic concerns,

said Carlos Solchaga, Spain's economy minister. "The peseta

has been in the higher hand of the ERM, and we thought we

A QUIET day for the dollar was transformed by the publication of the Conference Board US consumer confidence index at 3pm London time. The index days to the longer than the longer transfer to the longer transfer transfer to the longer transfer dropped to 46.3 in February, the lowest level since the sur-

rey started in 1967.
The confidence numbers pushed the dollar down sharply from DM 1.6480 to DM L6350 in what one observer described as "very aggressive selling" – though this was mostly interbank dealing, he said, not corporate interest.

The drop in the confidence index called into question belief in an imminent US economic recovery based on stronger than the stronger of the st ger recent retail sales figures and monetary data, said Gerard Lyons of DKB Interna-tional Traders also noted that Mr Alan Greenspan, the chairman of the Federal Reserve, told a US senate committee that the drop in the index was "quite disturbing" and that "there is room for the Fed to move [to ease interest rates] if

we have to move further" In spite of the burst of dollar selling, the market was heartened, said Mr Christian Dunis of Chemical Bank, by very good resistance around the DM 1.6375 level. The dollar ended London trading at DM 1.6390, after a DM 1.6460 London start and Monday's close of DM 1.6510. It rallied to

**£ IN NEW YORK** 

Feb. 25	Close	Previous Close				
E Spot 1 month . 3 months 12 months	1.7398-1.7408 0.85-0.84pm 2.54-2.51pm 8.45-8.35pm	1 7460-1 7470 0.85-0 84pm 2 49-2 47pm 8 32-8 24pp				
Forward premiums and discounts apply to the US dollar						
err	o me n	IDEV				

	Feb.25	Previous
8.00 am 9.00 am 10.00 am 11.00 am Moon 1.00 pm 2.00 pm 3.00 pm 4.00 pm	90.5 90.5 90.5 90.5 90.5 90.5 90.7	90.5 90.5 90.4 90.5 90.5 90.6 90.6

Fab 25	Bask of England Spiles	Morgan <sup>ac</sup> Guaranty Changes %
Sterilog	90.7 64.0 101.0 109.9	-21.0 -14.2 -1.2 +12.1
Belgian Franc Davish Krone D-Mark	111.6 108.9 118.4	-1.8 +3.0 +24.8
Series Franc	106.4 114.6 103.2 98.9	+14.5 +16.2 -12.9 -19.7
Morgag Guara	1423 aty change	+77.4 s: average index (Base

Average 1985 - 100). "Rates are for Feb.24

<b>CURRENCY RATES</b>							
Feb 25	Bant # rate %	Special * Drawing Hights	European Carrency Unit				
Sterting U.S Dollar U.S Dollar Canadian S Austrian Sch Belgian Franc Banish Krone D-Mark Druth Golkler French Franc Railan Lira Lapanese Year Nervery Krone Sensish Franc Sensish Franc Sensish Franc Greek Drach Irish Pust	3.50 7.56 7.56 7.50 8.50 8.00 8.00 8.00 10.4 12 4.50 8 10.00 7.00 19	0.790244 1.57180 1.6513 46.9579 8.85145 2.77824 2.56236 1.77.363 8.94425 12.662 8.27533 2.06351 262.405 N/A	0.710231 1.24127 1.47273 42,0667 7.92738 2.04551 2.30156 6.99546 1533,45 360,521 8.01675 128,337 7.41673 1.25 854 0.76687				
a Bank rate refers to control bank discount rates. These are not quoted by the UK. Spain and Ireland † European Connection.							

At SDR rates are for Feb.24 OTHER CURRENCIES

Feb 25	£	5						
Argesti Fit	1.7290 - 1.7310	0.9900 - 0.9910						
Australia Brazil	2.3265 - 2.3285 2731.35 - 2733.30	1.3305 - 1.3315 1564.80 - 1565.00						
Figland	7,8525 - 7,8660 329 700 - 334 950	4,5020 - 4,5050 188 300 - 191 310						
Greece Hong Kong	13.5375 - 13.5510	7.7600 - 7.7620						
iras Kores(Sth)	2468.00° 1332.45 - 1353.45	1420.00° 763.60 - 772.80						
Cowalt	0.51320 - 0.51420 59.15 - 59.25	0.29350 · 0.29450 33.65 · 33.75						
Lenneshoorg Malaysia	4 5215 - 4 5290	25900 - 25930						
Mexico Il Zegland	5271.40 - 5283.15 3.2250 - 3.2280	3060.25 - 3061.25 1.8465 - 1.8485						
Saudi Ar	6.5150 - 6.5920 2.8635 - 2.8705	3.7495 - 3.7505 1.6400 - 1.6420						
Simples S.Af (Cm)	4,9890 - 5,0005	28610 - 28625						
S.Af (Fe) Taiwan	63975 - 65170 43.65 - 43.75	3.6630 - 3.7315 25.00 - 25.10						
n A F	6.3790 - 6.4560	3.6735 - 3.6735						

Floating rate, tran Official rate:£115.40 \$66.95 **MONEY MARKETS** 

Rates close easier

DWINDLING expectations of an imminent UK base rate cut activity was quiet, with the Bank keeping liquidity tight. Later in the morning, the Bank revised the expected shortfall to 2900m, and bought another 230m of Band 1 bank bills at were briefly rekindled first thing yesterday as the Bank of Spain lowered its intervention rate by 25 basis points to 12.40 There was a momentary thought that this might be part of a co-ordinated plan to allow 10% per cent. In the afternoon, the forecast was revised upwards again, to £950m, and the Bank bought \$55m of Band 1 treasury bills and \$341m of a simultaneous UK base rate Band 1 bank bills, both at 10% per cent, before providing unspecified late assistance of

cut, and in 15 minutes of lively activity the three months interbank rate shed it to 10%-10it per cent. Short sterling futures around £465m. per cent. Short sterling futures jumped 9 basis points to 89-90, from an opening of 89-81 and a previous close of 89-80. "The market was split 50/50 on whether there would be a cut", said one dealer. around £465m.

Overnight money traded as high as 12 per cent. Short sterling futures closed at 89.90, and the three months interbank rate ended & lower on the day at 10%-10% per cent, with the market's belief that a base rate cut is likely around or before the Budget on March 10 strengthened by the day's events. Those expecting a cut UK clearing bank base lending rate 10.5 per cent from September 4, 1991 events. Those expecting a cut sooner rather than later are

focusing attention on Thursday, when the January The Bank of England forecast a shortfall of about £850m, and invited an early round of bill offers. Dealers were reluctant to tender paper, however, in case there was a base rate cut on the way, and at mid-morning the Bank announced that it had announced that it had purchased only £8m of Band 1 bank bills outright at 10% per cent. That indication of unchanged interest rates pushed short stepting futures trade figures are due. German call money rates eased further to 9.40/50 per cent. down from Monday's 9.45/55 per cent. Banks had overestimated the February

reserve requirement, dealers said, and found themselves with surplus cash as the month drew to a close.

In the US, Federal Funds traded at 3# per cent, just below the Federal Reserve's pushed short sterling futures down 5 basis points to 89.86. For the rest of the day. presumed target of 4 per cent. There were no reserve operations, said the Fed. situation with a small reduc-tion in rates," he added. His comments were a clea

reference to the way in which the peseta's strength has kept sterling trapped against its lower ERM limit. Yesterday's move on peseta interest rates produced no corresponding sing from the UK authori ties, but the nound staved close to its peseta floor. There was little activity: "The pound was really completely sidelined."

commented one trader.
Sterling opened at DM 2.8802,
slightly weaker than its previous close of DM 2.8835. During the morning, the pound dipped to DM 2.8791, climbing back to DM 2.8803 at 3pm. The dollar weakness thereafter, which pushed up the D-Mark, left sterling a little easier and it closed at DM 2.8787. In spite of very good trade figures, the French franc closed slightly lower.

	Ecu Central Rates	Currency Amounts Against Eco Feb 25	% Charge from Central Rate	Spread s Weakest Currency	Divergence indicator
aeish Peseta	133.631 42.4032 2.31643 2.02386 1538.24 0.767417 6.89509 7.84195 0.696904	128.337 42.0667 2.30156 2.04561 1535.459 6.756879 6.95546 7.92738 0.710231	-3.96 -0.79 -0.64 -0.50 -0.18 -0.07 0.88 1.09 1.91	6.12 2.73 2.57 2.42 2.19 1.98 1.03 0.81 0.00	68 40 34 10 5 48 -38

action of the Corresp's market and Eco central rates for a co-lation of the Corresp's market rate from its Eco central rate, column by Picancial Theses.

POUND SPOT - FORWARD AGAINST THE POUND								
Feb 25	Day's spread	Close	One mouth	% p.a.	Three mosths	% 9.1		
Norway	1.0775 - 1.0845 2.8775 - 2.8875 244.25 - 248.00 180.72 - 180.75 2755.59 - 2146.50 11.2450 - 11.2975 9.7725 - 9.8175 10.4100 - 10.4450 224.80 - 228.00 20.20 - 20.30 2.6025 - 26.150 1.4045 - 1.4180	1.7565 - 1.7575 2.0640 - 2.0250 2.0540 - 2.0250 3.2375 - 3.2475 59.15 - 59.25 1.0655 - 1.0655 2.8775 - 2.8825 247.00 - 246.00 112.475 - 11.2575 9.7600 - 9.8000 112.475 - 11.2575 9.7600 - 9.8000 112.475 - 11.2575 9.7600 - 9.8000 227.00 - 228.00 22.20 - 20.23 22.20 - 20.23 2.4050 - 2.6150 1.4170 - 1.4180 e ssd of Losdes trad	0.86-0.84cpm 0.52-0.85cpm 1-1-cpm 7-2cpm 0.62-pargen 0.62-pargen 32-55cph 2-4-17cph 12-1-cpm 12-1-1-cpm 12-1-cpm 12-1-cpm 12-1-cpm 12-1-cpm 0.06-0.01cpm	5.81 2.96 0.93 0.91 0.47 0.11 0.72 -1.67 0.31 -1.80 4.62 0.30 -1.80 4.62 0.30 9 0.30	2.51-2.45pm 1.45-1.25pm 1.3-5pm 1.3-5pm 0.9-0.05pm 1.5-20obis 9-10obis 9-10obis 1-5-4pm 15-1-5pm 0.8-0.05pm 4-1-1-5pm 0.8-0.05pm	5.68 2.77 0.57 0.57 0.52 0.52 -2.95 -2.167 -0.13 0.20 2.495 0.14 2.40sth		

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR								
Feb 25	Day's spread	Close	One month	% 0.1.	Three mostles	% PA		
lankay France Sweden Japan	33.60 - 33.95 6.3700 - 6.3775 1.6300 - 1.6525 140.70 - 142.00 102.30 - 103.66 1224.75 - 1239.00 6.4000 - 6.4772 5.5425 - 5.6150 5.9120 - 5.9250 129.00 - 129.00 11.4975 - 11.6125	1.7565 - 1.7575 1.6269 - 1.6275 1.1859 - 1.1866 1.1845 - 1.1865 33.65 - 33.75 6.3839 - 6.3700 1.6370 - 1.6400 1.07 70 - 1.40.265 1.275 - 1.02.25 1.275 - 1.02.25 1.275 - 1.5405 1.275 - 1.4865	0.86-0.94cpm 0.81-0.77cpm 0.80-0.83cdii 10.80-0.83cdii 13.00-15 00ost 275-2.95crelis 0.71-0.72prids 93-100cdis 67-69-dis 7.60-8.10llredis 2.95-3.15crelis 2.57-2.62cdis 3.79-3.99crelis 3.79-3.99crelis 3.79-3.99crelis 4.80-5.20crelis	5589999522346719751240 55997522346719751240	251-249m 241-233m 2910-936a 243-246da 4200-4500da 809-108a 305-3308a 305-3308a 304-296a 2280-23804a 930-1006a 1165-12054a 125-238a 1460-15808a 123-1568a	5.88 5.89 5.39 5.34 5.38 5.38 5.39 5.39 5.39 5.39 5.39 5.39 5.39 5.39		
ــــــــــــــــــــــــــــــــــــــ	1290 - 12540 ates taken topperés ti	1.2480 - 1,2490	0.58-0.56cpm	5.48	1.77-1.71pm	5.57		

EURO-CURRENCY INTEREST RATES									
Feb 25	Short ter#	7 Days extice	Cee Month	Three Months	Str Houths	Gne Year			
serting	101 - 105 42 - 46 74 - 75 95 - 95 81 - 8 95 - 95 10 - 95 12 - 10 95 - 559 91 - 95	101 - 101 43 - 41 74 - 71 95 - 92 8 - 7 10 - 93 121 - 12 95 - 95 55 - 55 94 - 95	101 - 102 44 - 42 74 - 62 91 - 92 74 - 74 91 - 92 10 - 92 12 - 112 95 - 95 101 - 93	104 - 102 43 - 44 74 - 74 93 - 95 14 - 75 10 - 95 124 - 115 95 - 95 124 - 93	94 44 74 97 94 14 94 14 19 19 19 19 19 19 19 19 19 19 19 19 19	10 % - 10 % 5 - 4 % 7 - 7 - 7 % 9 - 7 % 9 - 9 % 9 - 9 % 9 - 9 % 12 - 11 % 9 - 10 % 10 - 10 %			

\*\*| 32 33 | 32 33 | 37 37 | 37 37 | 37 57 | 37 57 Long term Eurodollars, two years 6-5% per cent; three years 6-4-6% per cent; four years 7 ½-7 ½ per cent; five years 7-2-7 ½ per cent populsal. Short term rates are call for US Bollars and Londones Viet others, two dues, two dues,

EXCHANGE CROSS RATES											
Feb.25	£	\$	þM	Yen	F Fr.	S Fr.	N Fl.	Ura	C\$	B Fr.	ĒŒ
2	1	1.757	2.880	227.5	9.795	2.610	3.242	2161	2.084	59.20	1417
\$	0.569	1	1.639	129.5	5.575	1.485	1845	1230	1.186	33.69	0.806
BM	0.347	0.610	1	78.99	3.401	0.906	1.126	750.3	0.724	20.56	0.492
YEN	4.396	7.723	12.66	1000.	43.05	11,47	14.25	9499	9.160	260.2	6.229
F Fr.	1.021	1.794	2.940	232.3	10.	2.665	3,310	2206	2.128	60.44	1.447
S Fr.	0.383	0.673	1,103	87,16	3.753	1	1.242	828.0	0.798	22.68	0.543
NFI.	0.308	0.542	0.888	70.17	3.021	0.805	1	666.6	0.643	18.26	0.437
Lira	0.463	0.813	1.333	105.3	4.533	1,208	1.500	1000.	0.964	27 <i>.</i> 39	0.656
CS	0.480	0.843	1.382	109.2	4.700	1.252	1.556	1037	1	28.41	0.680
B Fr.	1.689	2.968	4.865	384.3	16.55	4.409	5.476	3650	3.520	100.	2.394
Fes	0 706	1.240	2.032	160.6	6.912	1.842	2.288	1525	1.471	41.78	1

1-min 5-min 12-min 12-m Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100. FT LONDON INTERBANK FIXING CLL.00 a.m. Feb.259 3 months US dollars The Histog rates are the arithmatic means rounded to the extrest one-statement, of the had and offered ratesfor \$10m quoties to the market by five reference banks at 11.00 a.m. each working ago, The banks are National-Westmitester Bank, Bank of Todays, Departure Bank, Bank of Paris and Mangais Generally Trest.

Eschmated volume 10780 (10619) Previous day's open let, 40360 (19435)

FT-SE EDROTTNACK 100 DIBEX DASA per hall lades pales

(209 1140.0

Estimated volume 0 (0) Previous day's open lat, 142 (142)

POUND - DOLLAR FT FOREIGN EXCHANGE NATES

Choiracts traded on APT. Closing prices shows.

MONEY RATES									
NEW YORK	NEW YORK Treasury Bills and Bonds								
4pm Priste rate	. 64	6 Six month							
Feb.25	Overnight.	Gae Month	Tero Months	Three Months	Six Months	Lossbard intervention			
Frankhet	940-950 911-912 53-71 950-950 51-53 117-124 91-91 102-101	9.50-960 97-10 71-74 9.60-950 52-51- 124-124 94-93 104-104	9.50-9.60 971-10	9.50-9.60 97-10 71-74 9.63-9.55 54-54 124-124 97-93 104-105	950-9.60 912-93 	9.75 9.60 - - - - -			

L(	ONDO	N MC	NEY	RATE	S	
Feb 25	Overnight	7 days notice	One Month	Three Months	Six Montia	One Year
erhants Offer erhants Bid erhants Den Offer erhants De	12 10 10 10 10 10 10 10	10% 10% 10%	1034 1045 1054 1054 1054 1054 1054 1054 105	1000 - 1000 - X-0-1000	100 - 100 -	101 100 101 101 104 104 104 104 104 105 105 105 105 105 105 105 105 105 105

Jan 1.83 1.43 1.08 0.77 0.56 0.37 0.24 0.15 0.18 0.29 0.43 0.64 0.91 1.22 1.59 2.00 0.01 0.09 0.32 0.56 0.81 LONDON (LIFFE) Strike Price 1.725 1.775 1.800 1.825 1.850 1.875 4.52 6.00 7.62 9.48 11.44 13.53 May 4.04 2.97 2.15 1.49 0.99 0.64 Clase High 97-31 97-31 98-09 98-10 4.45 3.36 2.57 1.88 1.34 0.93 0.62 Class High 100-01 100-03 98-31 98-13 CHICAGO High 100-4 99-10 98-00 97-30 # 126% #845 88.50 88.55 (2000) 87.98 88.54 sotume 63176 (37764) day's open int., 98438 (99333) 95-12 95.70 U.S. TREASURY BILLS (THE Slan points of 100% 566 536 501 501 501 511 511 511 Close High Love 102.42 102.42 102.42 d volume 1 (40) day's open int. 392 (377) Class High 99.02 99.05 99.15 99.15 nated upleme 14954 (10347) lous day's open int. 23411 (23996) 99.93 90.18 90.46 90.63 90.73 **PARIS** 7 to year 10% instrumal french bond drayer putures Est. Vol. (Inc. figs. act showed 58737 (17231) Previous day's open int, 213600 (21558%) Open Sett price Change 107.55 107.56 +0.18 102.94 109.10 +0.24 109.06 109.15 +0.18 home 110,139 Total Open Interest 155,725 Open Int 194,777 48,127 2,799 High 107.68 109.12 109.14 100 95.36 95.32 94.31 90.13 90.60 90.94 91.17 +0.04 +0.05 +0.03 90.15 90.64 90.97 91.21 9.91 9.45 9.09 8.83 24,420 24,262 10,001 3,760 December 91.19 91.1 Estimated volume 7,969 Total Open late rest 64,005 8,982 11,307 273 5,895 Pats June 0.11 0.21 0.43 0.61 1.37 0.40 1.49 0.88 0.46 0.20 astef volume 1781 (384) Hous day's open jar, 8425 (342). 129 0.57 2.95 56,501 3.376 High 92.43 92.76 92.96 93.15 92.41 92.71 92.76 93.15 BASE LENDING RATES Estimated volume 4085 (3477) Previous day's open Int. 32973 (33064) 10.5 10.5 10.5 10.5 10.5 FT-SE 100 BIDEX 925 per hill index point Credit Lyconals ..... Cyans Popolar Sk ... Deskar Bask PLC .... Descas Lawrie ..... McDowell Denglas Rak . Midiand Bank ...... Mount Banking ....... Rat Westernster ...... 2563.0 2563.0 2503.0 2537.5

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Allied Trust Bank

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NOTICE TO HOLDERS OF

195 195



**ASAHI BREWERIES, LTD.** US\$1,000,000,000 3 1/4 per cent. **Bonds due 1993 with Warrants** US\$300,000,000 4 1/2 per cent.

Bonds due 1993 with Warrants Pursuant to the Terms and Conditions of the above Bonds and Warrents notice is hereby given that effective from 16th March, 1992 The Industrial Bank of Japan, London Branch (one of the Paying and Warrant Agenta) is

Bracken House, One Friday Street, London EC4M 9.1A

The Dai-Ichi Kangyo Bank (Luxembourg) S.A. The Sumitomo Bank, Limited (as Principal Paying and Warrant Agents)

WOOLWICH **BUILDING SOCIETY** £200,000,000

Floating Rate Notes Due 1995 Due 1995
In accordance with the terms and condutions of the Notes, notice is hereby given that for the three month interest period from (and including) 24th February 1992 to (but excluding) 26th May 1992, the Notes will carry an interest rate of 10% per cent. per annum. The relevant interest payment date will be 26th May 1992. The coupon amount per £10,000 will be £262.36 payable against surrender of Coupon Not 25.

Hambros Bonk Limited

**Hambros Bank Limited** 

Agent Bank

FLYSAS STAYFREE

Fly SAS EuroClass to wla/Finland and your first night's stay in an SAS International Hotel will be FREE...with up to at only HALF-PRICE.

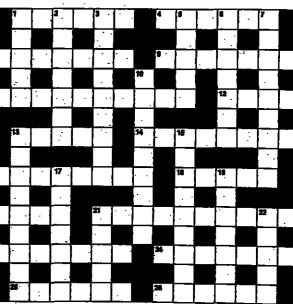
### MONEY MARKET FUNDS

CAR Int C **Money Market** 0900 616162 Trust Funds - | Yest4 10 50 Htb 071-588 1815 10.81 3-440 7.55 7.62 7.40 2.26 071-6233434 Money Market A HECA **Bank Accounts** Res CAR Financial & General Bank pic 13 Lowes Street, London, SWIX 9EX 071-235 0034 N. 1. D. A. 150 000. 102 95 8137 | 11.1216-881 HLBA ENGOD-2008. 10.50 7.875 | 10.7716-881 st Cheque Accesset SA 0800 282115 6.36 8.77 Dr 6.94 9.57 Or Aithen Hurrin Bank plc 30 Chy Roed, ECLY 2AY Transpry Acc. White Chy (1986-61 syst.) 9,00 to hetch p. 40-50 yrs. 9,50 http://doi.org/10.00 Allied Trest Bank Ltd ank of Scotland Table 1,0009 | 1673 | 534 | 715 | 724 | 724 | 724 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 725 | 72 ave Prime Account H.J.C.A. Save & Presper/Robert Flexing
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**CROSSWORD** 

**JOTTER PAD** 

No.7,783 Set by DINMUTZ



ACROSS
1 Dispatch-box? (6)
4 Fitted with points and laced

8 Features around Kests' ves-

8 Features around Kears' vessel that gets terribly hot (?)
9 Two girls on ones knee! (?)
11 Jude's — job to produce marble "Madonsa and Child" perhaps (10)
12 Star part chosen by Bassanio (4)
13 Kid influenced, you could say (5)

say (5) 14 Cat-o'nine-tails possibly

noiseless in the ocean (8)

16 Guys, we hear, handling cases (8)

18 Newspaper process (5)

20 To do with dash? (4)

21 Sitting on my fathers' land?

(10)

(10) 23 Fake to disappear (4.3) 24 Name one mint assort Trading does not begin in nis London borough —(6) — business has a noisy

1 Tribunal coucise about love --- (5) engaged chap keeps

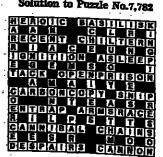
8 Clergyman binding? (9) 5 Unpretentions flat (5) Citadel of King acc

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6 Citadel of King accompanied by Merlin, perhaps (7) 7 Coach dog spotted! (9) 10 Set up that is less hab-it-forming (9) 13 Eclai? (9) 15 Free table-piece made from deciduous tree? (5-4) 17 Reading of "A Country Girl" (7)

(7) 19 Got idea for cultivation of garden-plant (7)
21 German XI at home, small

and mischievous (5)
22 Nothing grim in the atmosphere? (5) Solution to Puzzle No.7,782



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FINANCIAL TIMES WEDNESDAY FEBRUARY 26 1992 WARLE STOCK MARKETS

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21000 Coputalog 1	01 90 90				IND	ICE								
								F	eb	Feb	Feb	Feb L	1992	
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ndustrials 325/. ome Bonds 98.0			(24/2) (24/2) 99.81 98.56 (6/2) (24/2)	(24/2/92) 99.81 (6/2/92) 1532.01	LT/10/87) 24 68	ALL ALL	Mining II/IRRE		7 <u>172</u> 57.17	712.8 458.57	457.10	451 76	458 57 (24/2)	401 P4 (51); 215 54 (51);
rassport 1430	).12 1451.79 1466.9		1467.68 1342.1 (2012) (211)	G/9/89)	12.32 (8/7/32) 10.50	70	rde Akties (30/12/84) pled lades (2/1/91) ELGIUM	10	P4 01	1099 43	1093 69	1079.58	1196 89 124(2)	1097 23 (8/1)
tilities 204.	56 203.74 204.2	4 206.94	225.59 203.74 (3/1) (24/2	(2/1/90)	(8/4/32)		120 (L1/9))			1196.89	1182.54	351.09	365 29 (15/1)	350 06 (25/2)
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-	117 490.59 489.	6 492.45	499.27 483.9 (15.0) 08/7	1   499 <i>21</i> 1   (15)1/92	3.62 3.62	Ċ	AC Georgi (31/12/82) AC 40 (31/12/87)		2077 2471	523.36 1976.52	518 51 1962 37	1951 22	1976 52 (24/24	1749 91 (2/1)
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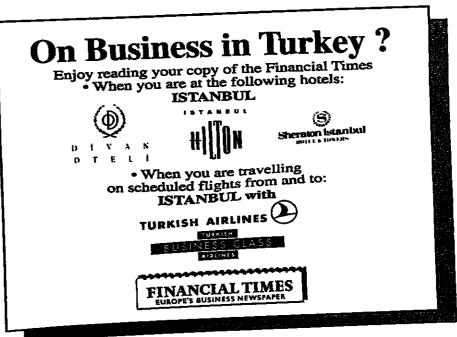
TOKYO - Most Active Stocks Tuesday 25 February 1992

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مكنامنالأجل

Data source: The European Business Readership Survey 1991 FT SURVEYS

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FT SURVEYS

WORLD STOCK MARKETS

### Dow unsettled by decline in consumer confidence

#### Wall Street

A WEAKER than expected consumer confidence report unsettled the equity market yester-day, sending share prices lower across the board, writes Patrick Harverson in New York.

The Dow Jones Industrial Average finished above its low for the day but was still down 24.59 at 3,257.83. The Standard & Poor's 500 lost 1.82 at 410.45, while the Nasdaq composite of over-the-counter stocks fell 3.53 to 621.40. Turnover on the New York SE came to 210m shares, and declines led rises by 1,066 to 642.

Although the Dow indicator has crept up to new highs in recent days, the underlying tone of the market has been weak, and news of the decline in the Conference Board's February consumer confidence index to 46.3 - the lowest level since December 1974 - pro-

vided a good excuse for selling. The fall in the consumer

confidence index was unexpected, as was an equally damaging decline in the Conference Board's measurement of consumer expectations, which pointed to more trouble for the economy. Even Mr Alan Greenspan, the Federal Reserve chairman, who has made positive noises recently about an economic recovery, was moved to call the confidence figures 'quite disturbing".

Leading stocks were lower across the board. IBM fell \$11/4 to \$88%, Merck \$2% to \$152%, Procter & Gamble \$1% to \$100% and General Electric \$%

Motor shares were particularly hard hit, having been bought recently on hopes that rising consumer confidence would boost car sales. Ford slipped \$1 1/4 to \$35 1/4. General Motors \$1% to \$36% and Chrysler \$1/4 to \$16%.

A rare gain was reported by SmithKline Beecham, which climbed \$1% to \$73% on news of a 16.5 per cent rise in annual pre-tax profits and plans for a two-for-one stock split.

Wells Fargo dipped \$% to \$71 % after credit rating agency Moody's downgraded \$4bn of long-term senior debt and commercial paper because of concern about the outlook for the bank's asset quality.

On the over-the-counter market, Intel weakened \$1% to \$63% as investors reacted to news that an arbitrator had granted Advanced Micro Devices, up \$% at \$19%, rights to the technology in its clone of Intel's 386 microprocessor.

THE Toronto market closed mixed after moderate trading, announcement of the Canadian government's Budget for the 1993 fiscal year.

The composite index ended a slight 1.7 firmer at 3,544.9, but falls outnumbered rises by 297 to 262 after volume of 22.5m shares worth C\$238.3m.

### Venezuela takes coup attempt in its stride

High domestic liquidity has helped the Caracas exchange to recover, says Joe Mann

ven an attempted coup earlier this month failed to do any lasting damage to confidence on the Car-

acas Stock Exchange. The stock market was closed during the failed military uprising against the government of President Carlos Andres Perez on February 4. When trading resumed on February 6, the Caracas Stock Exchange index fell by more than 9 per cent over the next four trading days. But since then the market has recovered. The index closed at 34,142 in

nominal terms on February 3, a rise of 16.5 per cent from the end of 1991. Some investors mostly individuals - sold shares in the wake of the military uprising, but there was no panic. On February 24, the index closed at 31,378, an increase of 7 per cent since the end of December.

However, the stock market has not performed so well in dollar terms, notes Mr Federico Laffan at the London-based Latin American Securities Limited, because of the fall in the bolivar against the dollar. The index in dollar terms closed at

SHARE prices rose slightly yesterday, as denials by a for-

mer prime minister regarding

his involvement in an alleged bribery scandal relieved the

In spite of the improvement in the Nikkei, declines led

advances by 507 to 370 with 210

issues unchanged. The Topix index of all first section stocks ended 0.85 easier at 1,535.97, and in London the ISE/Nīkkei

50 index lost 0.77 to 1,172.17.

The market focused on the

testimony by Mr Zenko Suzuki,

the former prime minister,

before the lower house budget committee. Mr Suzuki denied

allegations that he had played

an active role in connection with an alleged bribery scandal involving Kyowa, the bankrupt

steel frame builder and prop-

erty developer. The futures market gained

strength in the afternoon after

Traders said there were lin-

gering hopes of an early cut in

the discount rate. Mr Kozo

Watanabe, minister of interna-

tional trade and industry, called for a discount rate reduction. "The market now

looks to the Bank of Japan's quarterly survey of business sentiment." commented Mr Shigeru Akiba of UBS Phillips

Brokerage stocks fell on reports that securities compa-

nies were helping investors to window dress their accounts by selling loss-carrying invest-

The chairman and vice-president of Cosmo Securities, a

second-tier brokerage house,

resigned after Cosmo announced an out-of-court set-

JOHANNESBURG fluished

near the day's high, helped by a higher gold price and a softer financial rand. The over-

all index gained 32 to 3,543 and the all-gold index climbed 27 to 1,215. The industrial

index climbed 26 to 4,349.

ments to other clients.

**SOUTH AFRICA** 

the parliamentary hearing.

ASIA PACIFIC

Tokyo

548.6 on February 3, a rise of 15.4 per cent since the end of December, but ended at 480.1 on Monday, just I per cent

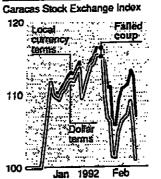
higher than at the end of 1991. Mr Laffan says that while the stock market was not ruffled by the failed coup, the foreign exchange market tells a different story. The bolivar has fallen to 65.4 against the dollar from 62.2 just before the upris-ing as Venezuelans switched into the safety of the dollar or took their funds out of the

The swift crushing of the coup, the first in Venezuela since the early 1960s, has helped maintain confidence in the stock market.

Moreover, the government has pledged to continue its three-year old economic reform programme, in spite of its broad unpopularity. Reforms initiated in 1989 pro-

duced a sharp decline in eco-nomic growth that year, and had caused a painful fall in living standards. The programme generated 5.3 per cent GDP growth in 1990 and an expansion of 9.2 per cent last year, the highest growth rate in

market because of high domes-tic liquidity, caused by falling rates on certificates of deposit Venezuela



Latin America. But the country still suffers from inflation, which stood at 30.7 per cent

last year. Caracas Stock Exchange, which rose 34.3 per cent in dollar terms in 1991 after a huge 555 per cent jump in 1990, continues to attract domestic and foreign attention. especially in the latter case. from emerging market funds. Venezuelan investors - both individual and institutional -

and other fixed income instruments and lower US interest rates.

Trading this year has been brisk, even though the exchange offers only a dozen or so active shares. According to Mr Alex Dalmady, president of a Caracas advisory firm Inves-tAnalysis: "Demand for shares has been growing, but supply has not. Therefore, prices have inevitably climbed to new heights. Quick profits are feed-

ing the frenzy."

Mr Dalmady feels that stock prices are high "by most yardsticks", with price/earnings multiples for 15 financials averaging 24 and for the 21 industrial stocks 35 at the end of January.

Share supply has increased in one area, however, as industrial companies place their shares abroad and at home via American Depositary Receipts (ADRs) or Shares and Global Deposit Shares (GDSs).

Sivensa, the country's largest private steel maker, was the first Venezuelan company

to enter the ADR market, plac-ing its shares in the US in 1991. Since then other companies including Corimon, a diversified industrial group, and Venepal, a paper producer -

have also placed shares abroad. One sign of continuing investor confidence in Venezuelan equities was the successful international and domestic placing of 2.6m GDSs by Corimon. during the abortive uprising. Each GDS is worth 25 Class B

Corimon shares. Foreign listings are also likely to increase. Madosa, Venezuela's leading producer of domestic appliances, last year became the first foreign company to be listed on the

Mark Nic

of the

Caracas Exchange.
The exchange, which recently moved into new headquarters, still continues to be plagued by problems such as back office bottlenecks and lack of computerised systems. The market remains relatively small, and a trade of \$500,000 to \$1m can have a strong effect on prices. Trading in 1991 totalled \$2.3bn, up from \$2.1bn

### Brazil rises despite debt talks

By Bill Hinchberger in São Paulo

THE SAO Paulo and Rio de Janeiro stock markets were surprisingly firm yesterday in spite of news that Brazil's negotiations with the Paris Club of official creditors had

run into difficulties.
The São Paulo Bovespa index had risen 1.4 per cent by midday in strong volume of Cr89.8bn (\$61m), recouping a drop recorded on Monday that

taking. The Rio de Janeiro index showed a 0.9 per cent increase, following a 0.3 per cent rise on Monday.

Both exchanges experienced strong upswings last week, as the government's export incentive package, indications of a modest decline in the monthly rate of inflation, and progress in the debt talks all encouraged investors. The Bovespa index chalked up a 26.7 per

cent increase last week, with daily turnover rising above

With the emergence of stumbling blocks in the Paris Club talks and the onset of Carnival, the traditional holiday beginning on Saturday, many traders expect the market to slow

"During the Carnival season, things are always lukewarm,"

### **Profit-taking and early** fall in NY depress bourses

Base value 1000 (26/10/90).

SENIOR BOURSES ran into profit-taking yesterday and an early drop on Wall Street depressed later-closers, writes Our Markets Staff.

FRANKFURT consolidated after its recent gains. The DAY

after its recent gains. The DAX index closed 1,722.30, down 6.80. while the FAZ index, calculated at midsession, eased 0.29 to 701.69. Volume rose to DM7.3bn from DM6.9bn.

Utilities were in the limelight yesterday. RWE opened at the day's high of DM398.10 on a buy recommendation from Deutsche Bank but a lack of follow-through buying left the stock down 10 pfg at DM394.20 at the close. Veba rose DM2.50 to DM374.20 following excellent results from its trading subsidiary, Raab Karcher. The stock

mendation from James Capel.
Elsewhere, the supermarket chain Coop rose DM97 to DM2.200 as the trial against its former management started. Commerzbank, which will list its shares in Milan on January

30. eased DML.50 to DM261.50.
PARIS ran into profit-taking after its recent rally. A weak opening on Wall Street also weighed on the market. The CAC-40 index came off a high of 1,991.70 to close down 22.99 at 1,953.53. Volume fell to

FFr2.7bn from FFr3.6bn. Cerus, the French holding company of Mr Carlo de Benedetti, remained active, adding FFr1.60 to FFr136.10 with 681.400 shares traded. Dealers reported options-related arbitrary activity.

trage activity. Blue chips which were heavily bought last week fell back, with Michelin down FFr4.90 to FFr164.90 and Lafarge losing FFr5.10 to

NATIONAL AND

FT-SE Eurotrack 100 - Feb 25										
		H	ourly o	change	:S					
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	clos			
167.96	1167.80	1165.00	1163.12	1162.65	1162.22	1160.85	1156.			
	Day	's High 1	168.86	Day's	Low 115	54.20				
Feb 2	4	Feb 21	Feb	20	Feb 19	F	eb 18			
1163.9	)1	1154.51	1149	9.62	1140.09		143.83			

FFr351. But Chargeurs added FFr16 to FFr1,171 in good vol-

AMSTERDAM saw active trade in Unilever after it reported 1991 results in line with expectations. The stock closed down Fl 5.70 or nearly 3 per cent at Fl 188.40 on late selling by US investors and reports that US consumer conyears. The CBS Tendency Index closed down 0.4 at 125.8 in turnover of F1 770m.

Philips, which reports tomorrow, rose Fl 0.10 to Fl 32.50, while Akzo, whose 1991 results are due today, gained F12.20 to

FI 147.70.
MILAN got further encouragement from Monday's inflation data, though some analysts said this was not the start of a pre-election rally. The Comit index rose 4.96 to 545.04 in turnover estimated at L115bn after L91.8bn.

Fiat rose by L182 or 3.7 per cent to L5,050, mainly on shortcovering.

Pirelli was volatile as traders spotted an arbitrage opportunity between the ordinary

shares and the rights. The rights jumped L33 to L83 while the ordinaries rose L75 to L1,200.
Ansaldo Trasporti was tem-porarily suspended after a big

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buy order pushed the stock up by its daily limit of 10 per cent. There have been rumours that Ansaldo will announce a joint venture with Breda in the railway sector. Trading resumed at the official fixing, at which the stock rose L90 or 2.5 per

MADRID opened strongly on news that the central bank had cut the intervention rate, but cut the intervention rate, but fell on a weaker Wall Street. The general index closed down 0.81 at 259.54. Iberdrola gained Pta5 to Pta748.

STOCKHOLM closed weaker after results from SE Banken failed to lift sentiment. The Affire results from Conney! Index

Affärsvärlden General Index closed down 4.1 at 927.2 in turnover of SKr311m. SE Banken, which reported an expected 30 per cent decline in 1991 profits, rose SKr2 to

ZURICH followed Frankfurt lower. The SPI index closed down 2.6 at 1.136.9. Sulzer rose down 2.6 at 1.136.9. Sulzer rose on reports that it would allow foreign investors to buy its registered shares as soon as a stake held by Omni Holding, the collapsed financial company, has been placed. Sulzer certificates rose SFr9 to SFr548.

BRUSSELS closed down on Wall Street. The Bel-20 index declined 3.25 to 1.193.64 in turnover of BFr990m. Nikkei recovers in arbitrage-related trading, tlement with Skylark, a restaurant chain, which claimed that it had incurred losses due to Cosmo's trading practices. Cosmo was untraded due to a lack of buyers and closed at an offered price of Y540, down Y30, and Daiwa Securities fell

Y28 to Y970. Nippon Telegraph and Tele-phone rose Y7,000 to Y708,000 market, writes Emiko Terazono in Tokyo. The Nikkei average recovered 52.31 at 21,025.55, after a day's low of 20,742.53 and high on comments by a finance min-istry official in favour of a stock split. An increase in the of 21,093.90. Volume picked up to 160m shares from 130m in stock's liquidity is likely to trading dominated by arbitrage-related activity.

make it more attractive. High-technology issues suffered losses on earnings worries. Fujitsu declined Y6 to Y715 and Matsushita Electric Industrial dipped Y10 to Y1,340. Oki Electric Industry initially fell after reports that its nonconsolidated pre-tax profit will fall 95 per cent to Y1bn, but late bargain hunting left the issue a net Y5 up at Y514.

In Osaka, the OSE average slipped 92.07 to 22,581.90 in volume of 192.5m shares. Heavy window dressing by companies and financial institutions wishing to realise profits ahead of March fiscal year-end pushed up activity.

#### Roundup

THE NEW peak for Wall Street lifted some markets in the Pacific Rim. Bombay was closed for local elections.

HONG KONG was led higher by selected blue chips ahead of results due in the next couple of weeks. The Hang Seng index closed 44.58 stronger at 4,760.20 in turnover of HK\$1.89bn, against HK\$1.6bn. Results of a land auction

boosted the property sector. Henderson Land gained 30 cents to HK\$16.10 while New World rose 20 cents to China Light and Hong Kong Telecom climbed 40 cents to HK\$27 and 10 cents to HK\$7.95

KUALA LUMPUR finished lower on news that a \$3bn law suit had been lodged in California against Bank Bumiputra. The composite index fell 8.57 to 602.29 in volume of 46.7m shares, against 65.3m. The law suit action also

affected SINGAPORE, where the Straits Times Industrial index closed 21.47 down at 1,493.27 in turnover of S\$140.5m. Jurong Shipyard recorded the biggest loss of the day, falling 50 cents to \$\$10.30.

BANGKOK eased on profit-taking in the banking sector: the SET index shed 2.83 to

810.45 in turnover of Bt10.4bn. Bangkok Bank dropped Bt36 to SEOUL declined as rising interest rates depressed sentiment. The composite index ended 5.66 lower at 632.07 in turnover of Won230.6bn.

Goldstar, the electronics company, retreated Won600 to Won14,100 after reporting dis-appointing 1991 net profits. Samsung Electronics dipped Won400 to Won32,000 on poor

sults forecasts. TAIWAN was pulled down

by profit-taking, the weighted index losing 82.51 or 1.6 per cent to 4.987.73 in turnover of T\$42.7bn. Analysts said inves-tors still lacked confidence in the market, although there was no underlying bad news.

MANILA was boosted by the

rise in the US of Philippine Long Distance Telephone shares. The composite index put on 26.84 to 1.215.15.

AUSTRALIA closed off an earlier high that was spurred by strong domestic buying of bank, mining and building stocks ahead of yesterday's economic statement. The All Ordinaries index gained 12.9 at 1,639.8 in turnover of A\$266.5m. In the banking sector. National Australia advanced 12 cents to A\$7.58 and Common

wealth 14 cents to A\$7.11. NEW ZEALAND saw thin volume, but a strong performance in Telecom, which put on 6 cents to NZ\$2.42, helped the market to rise. The NZSE-40 index added 11.89 at 1,501.43 in NZ\$14m turnover.

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Dealings in the Ordinary shares of Rosebys PLC (Registered in England and Wales No. 2287644) ("the Company") are expected to commence on Monday, 2 March 1992



Placing by

#### COUNTY NATWEST

of 10,210,868 Ordinary shares of 25p each at 115p per share payable in full upon application

Share capital following the placing

Authorised

£6,000,000

Ordinary shares of 25p each

Issued and fully paid £4,641,304

The Rosebys Group is a leading specialist retailer of value-for-money household textiles, curtains and accessories throughout

England and South Wales. Listing particulars relating to the Company are included

in the Companies Fiche Service available from Extel Financial Services Limited, Fitzroy House, 13-17 Epworth Street, London EC2D 4DL from 3.00 pm on the day following publication of the listing particulars. Copies of the listing particulars are available for collection during normal business hours on any weekday (Saturdays and Public Holidays excepted)

up to and including 28 February 1992 from the Company Announcements Office, the London Stock Exchange, Old Broad Street, London EG2N 1HP and up to and including 11 March 1992 from:

County NatWest Limited Lion House 41 York Place

Leeds LS1 2ED

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Ilar Alla

26 February 1992

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#### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

regional markets			1950	٠, ٠٠٠	NOAIL I				MONOAT FEDROATI 24 1932				DYLLIGH RIDER			
Figures in parentheses show number of tines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Corrency Index	Local % chg on day	Gross Div. Yield	US Dollar !ndex	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	146.35	+1.2	123.49	119.75	124.74	129.56	<b>8.0+</b>	4.26	144.68	122.75	118.07	123.96	128.46	160.31	112.74	133.96
Austria (20)	186.43	+0.4	157.31	152,55	158.91	158.31	-0.7	1.82	185.68	157.53	151.53	159.09	159.41	222.37	153,86	
Belgium (46)	140.26	+ 1.2	118.36	114.77	119.55		+0.3	5.05	138.55	117.55	113.06	118.71	116.17	151 <b>.2</b> 0	118.04	
Canada (115)	134.36	-0.1	113.37	109.93	114,51	115.34	-0.2	3.19	134.44	114.08	109.71	115.18	115.56	144.28	126.49	
Denmark (36)	246.67	-0.5	208.14	201.84	210.25		-0.5	1.67	247.83	210.26	202.25	212.34	215.38	273.94	217.74	
Finland (15)	85.59	- 1.1	72.23	70.04 125.77	72.98	80.90	-1.4	2.46	86.55	73.43	70.63	74.16	82.04	125.15	73.32	
France (108)	153.71	-0.6	129.70 100.56	97.53	131.01 101.58	134,42 101.58	-1.1 -0.1	3.31 2.27	154.67 118.68	131.23 100.68	126.21 96.86	132.51 101.68	135.93 101.68	154.70 125.35	119.11 94.15	146.05 121.65
Germany (65)	119.18 197.43	+0.4 +0.9	166.59	161.55	168.29	196.72	+0.9	3.86	195.68	168.01	169.68	167.66	194.97	198.44	119.62	
Ireland (18)	163.95	+0.5	138.35	134.16	139.75	142.03	+0.0	3.60	163.14	138.41	133.13	139.77	142.02	182.46	132.88	
Halo (77)	76.99	+1.8	64.97	62.99	65.62	70.74	+ 1.3	3.27	75.65	64.18	61.73	64.81	69.86	88.23	64.76	
Italy (77)	116.64	-0.3	98.42	95.44	99.43	95.44	+0.0	0.89	116.95	99.22	95.43	100.21	95.43	146.97	116.27	143.99
Malaysia (68)		-2.0	205.23	199.01	207.31	242.75	- 1.8	2.74	248.10	210.49	202.46	212.56	247.29	250.18	189.18	
Mexico (18)	1686 77	+0.2	1423.33	1380.24	1437.76		+0.2	0.98	1683.80	1428.54	1374.08	1442.66		1894.11	534,45	
Netherland (31)	150.76	+0.1	127.21	123.36	128.51	126.95	-0.4	4.32	150.68	127.84	122.96	129,10	127.50	156.48	125.70	141.12
New Zealand (14)	46.03	+1.1	38.84	37.66	39.23	45.15	+ 1.0	6.08	45.52	38.62	37.15	39.00	44.72	54.64	41.18	48.40
Norway (24)	162.08	- 0.3	136.76	132.63	138.15	140.90	-1.2	1.74	162.53	137.89	132.64	139.26	142.57	223.24	157.08	206.58
Singapore (38)	218.07	- 1.0	184.01	178.44	185.87	164.91	-1.2	2.12	220.26	186.87	179.74	188.71	166,97	228.43	151.63	
South Africa (61)	220.22	+0.7	185.83	180.20	187.71	177.96	+1.1	2.81	216.71	185,56	178.48	187.38	176.08	271,99	173.00	197.47
Spain (52)	155.61	+0.1	131.30	127,33	132.63	121.18	-0.4	4.57	155,52	131,95	126.92	133.25	121.65	171.12	131.51	165.49
Sweden (25)	174.61	~0.2	147.34	142.89	148,84	153.68	-0.7	2.93	174.91	148.39	142.74	149.86	154,71	204.12	146.60	192.76
Switzerland (59)	99.35	+0.2	83.83	81.30	84.69	91.47	-0.2	2.19	99.19	84.15	80,95	85.00	91.69	104.22	82.17	96.39
United Kingdom (233)	178.51	+0.0	150.63	146.08	152,14	150.63	-0.5	4.95	178.43	151,38	145,59	152.86	151.38	187.44	156,27	179.42
USA (523),	167.51	-0.4	141.35	137.07	142,78	167.51	-0.4	292	168.10	142.62	137.19	144.03	168.10	171.66	125,95	147.07
			400 BÉ	448.64	101 01	404.00	-0.4	2 00	440.04	100 45	440 70	101.00	+04.70	454 50	40E EA	147.07
Europe (809)	145.72	+0.1	122.96	119.24	124.21	124.32	-0.4	3.89 2.20	145.51	123.45	118.75	124.68	124.79	151.52	125.50	147.37
Nordic (100)	173.03	-0.3	146.00	141.59	147.49	145.96	-0.7		173.63	147.31	141.69	148.77	146.94	200.81	155.55	192.73
Pacific Basin (717)	120.29	-0.2	101.50	98.43	102.53	89.43	+0.0	1.24	120.50	102.23	98.34	103.25	99.38	145.92	117.86	143.23
Euro - Pacific (1526)	130.72	+0.0	110.31	106.96	111.42	110.01	-0.1	242	130.77	110.95	108.71	112.04	110.17	147.66	121.29	145.29
North America (638)	165.40	-0.3	139.57	135.38	141.01	163.96	-0.3	2.93	165.96	140.81	135.45	142.22	164.53	169.69	125.91	146,30
Europe Ex. UK (576)	125.66	+0.2	106.03	102.84	107.13	108,92	-0.3	3.13	125.39	106.38	102.35	107.46	109.24	129.80	103.58	127.62
Pacific Ex. Japan (244)	156.36	+0.5	131.94	127.96	133.29	140.14	+0.3	3.61	155.63	132.04	127.02	133.36	139.66	156.39	111.40	133.50
World Ex. US (1720)	132.82	+0.0	112.08	108.69	113.22	112.24	-0.1	2.44	132.85	112.71	108.42	113,83	112.37	148.16	122.32	145.75
World Ex. UK (2010)	140.19	-0.2	118.30	114.72	119.51	127.11	-0.2	2.35	140.44	119,15	114.61	120,34	127,33	150,58	120.06	141.71
World Ex. So. At. (2182).	143.05	-0.2	120.71	117.07	121.94	126.89	-0.2	2.62	143.28	121.56	116.94	122.77	129.18	153.05	122.92	144.74
World Ex. Japan (1770)	159.06	- 0.1	134,22	130.17	135.60	148.72	-0.3	3.29	159.23	135.09	129.95	136.45	149.16	161.90	126.69	147.04
The World Index (2243)	143.52	-0.2	121.11	117.45	122.34	129.33	-0.2	2.63	143.74	121.95	117.31	123.16	129.60	153.70	123.28	145.05

### KUWAIT

SECTION III

Wednesday February 26 1992

On the anniversary of Kuwait's liberation, "Kuwait for the Kuwaitis" sums up what many Kuwaitis hope will be the most apparent change in the emirate's post-war character. But a number of Kuwaitis are less sure of the benefits of removing at a stroke a core component of the country's educated Arab middle class. Mark Nicholson investigates

# Foundations of the future

A PAIR of bumper stickers on a brand new Chevrolet Caprice outside a Kuwait hotel sums up much of the sentiment in the emirate a year after liberation. One reads: "Kuwait is Free, thank you America!" The other, beneath it, proclaims: "Kuwait for the Kuwaitis".

"Kuwait for the Kuwaitis".

Not only do the slogans illuminate Kuwait's determination
to present a spirit of post-war
assurance; the medium itself
says much about how Kuwaitis
have striven to package and
contain the memories of their
ordeal.

With Kuwait City now spruced up and tidied, the skies cleared of depressing clouds from the oil fires and the rusting detritus of war visible only on excursions out of the city, Kuwait has sought to render memories of the war in uniting, patriotic colours.

Bright, triumphalist murals

Bright, triumphalist murals adorn city walls and a new memorial of a shattered Iraqi tank, surrounded by the flags of members of the coalition of couyntries which evicted the Iraqis, sits beside the Information Ministry.

Early tensions between those 200,000 Kuwaitis who endured occupation and the 400,000 who part by a campaign to unite all Kuwaitis around the yellow flags, fluttering across the city, reminding them of the 1,053 Kuwaitis who have yet to

return from Iraq.

While the past is being taken care of, the foundations of Kuwait's post-war future are also becoming increasingly clear. The slogan "Kuwait for the Kuwaitis" serves as well as any to sum up what the government, and the greater part of Kuwaitis themselves, hope will be the most apparent change in the emirate's post-war character.

From the moment of Kuwait's liberation, the government declared its intention that Kuwaitis, previously a 38 per cent minority in the emirate's pre-war population of 22m, should enjoy a majority in their own country.

in their own country.

Today, thanks essentially to the banishment of up to 400,000 Palestinians and Jordanians - "non-preferred nationalities" is the bureaucratic euphemism - and a determined policy of having no non-Kuwaiti nationality comprise more than 10 per cent of the total population, this intention looks likely to stick.

The policy is not without its



costs or its critics. Not only has it shorn Kuwait of the best of its technical and managerial expatriate workers, it has also deprived the emirate of nearly 100,000 families who made their home in Kuwait, and in turn made a living for a large body of Kuwaiti merchants. But many Kuwaitis, who have always been suspicious of the Palestinians' political ambitions in the emirate, seem content to pay this price.

"I don't see it as a social cost – more a security gain," says the Kuwaiti manager of an engineering company who has lost all but a handful of his best trained staff.

But a number of Kuwaitis

are less sure of the benefits of removing, at a stroke, a core component of the emirate's educated, Arab middle class and replacing it largely with bachelor workers. "The place of expatriates in this country should be more than just working and sleeping," says a Kuwaiti banker.

Moreover, the resulting shortage of middle-management skills in the emirate implies the need for Kuwaitis to fill jobs they have historically shunned and, for all the jolt caused by the war, show no signs yet of embracing. Nevertheless, Kuwait's ambi-

Nevertheless, Kuwait's ambition to curb its population is one of several the government struggled to achieve before the Iraqi invasion, but which the war suddenly put within reach. Another is the job of clearing the country's banks of the billions of dinars of bad debt which has shackled them since the collapse in 1982 of the rashly speculative Souq al Manakh kerb stock market. In the post-war economic

hiatus, the government has seized the chance to propose a massive buy-out of the debt in return for government bonds.

The government also looks set to wash its hands of prewar subsidies for non-oil manufacturing industries in the emirate – a trendy and expensive enterprise undertaken by all Gulf states throughout the

1980s in the name of economic diversification, but one which in Kuwait was sponsored with mixed government feeling and met with indifferent success.

As a mark of the post-war shift, the Industrial Bank of

concessionary lending - the very reason it was established. Manufacturing in Kuwait has lain moribund since liberation and appears about to die.

and appears about to die.

Kuwait's economy will therefore – at least for the next few years – shrink with its population and rely more obviously on its oil revenues alone. These, the oil fires having been quenched with a speed matched by the industry's recovery in output, should be near pre-war levels by the end of 190?

of 1992.
"In the final analysis," says a senior official with National Bank of Kuwait by way of an economic precis, "this is a country which can pump 2m barrels of oil a day. We can rebuild our oil facilities and we know how much that will

However, the loss of much of Kuwait's pre-war investment income, with as much as \$30bn of its 1990 portfolio of about \$65bn in overseas holdings having been liquidated to pay off war-related costs, means the emirate will have to watch its domestic expenditure and perhaps borrow more than the \$5.5bn syndicated international

e loan signed late last year.

The spectre of rising costs and falling revenues alarms some economists. "The most important thing now is to stop driving the country towards a

permanent deficit, both internal and external," warns Mr Jassem al-Saddoun, a prominent Kuwaiti economist who declares pessimism over the government's attempts to take full control of the economy.

But the government hopes that fewer expatriates will mean less spending on public services. Also, the total recon-

that fewer expatriates will mean less spending on public services. Also, the total reconstruction bill, which optimistic foreign contractors put at \$1000n as the war ended, looks certain to settle at a far more modest \$200n. About half of this will be spent on repairing the oil industry and the greatest part of the remainder will go towards putting Kuwait's armed forces back on their

feet.

Rebuilding apart, the government's economic priorities will otherwise revolve around spreading what it can afford of Kuwait's oil income as widely and judiciously as possible – a particular priority in this election year, but always at the

root of most government thinking in the emirate.

"Economic policy here is not so much about creating the right circumstances for production, more getting the distribution right," remarks a local economist.

Dividing up the pie has always been the central feature of Kuwaiti politics and the war has not changed this. In accomplishing this task, the government has been careful recently to consult closely with the National Council, the interim assembly reconvened after liberation by Sheik Jaber al Sabah, the Emir, as a stopgap consultative body to tide the country over until the October's elections to the full National Assembly.

The Emir suspended the National Assembly in 1986 in the face of its strident opposition to some of his appointed ministers. He created the Council early in 1990 to head off opposition calls for the Assembly's restitution.

The Council, decried by opposition groups as unconstitutional in the absence of the full Assembly, is widely seen not least by some of its own members, as the government's training school for loyalist candidates in the next election.

didates in the next election.

Its 75 members, half of whom are government appointees, will certainly claim credit for prodding the government into the popular decision to raise salaries in the civil service, which employs the vast majority of Kuwaitis, by 25 per cent. Some 42 National Councillors said this month that they would contest the October

At least as many opposition candidates will stand, representing the familiar and divergent strands of leftist, liberal and Islamic thinking in Kuwait, united at least in demanding that the new parliament should exercise a limit on the exercise of the al-Sabah family's ruling power – a familiar rallying point which

long predates the war.

It is too soon properly to assess the likely strength of this opposition challenge at elections in eight months' time, for while stern criticism of the government's indecision and lack of managerial talent is widespread among Kuwaitis, so, too, is the popularity of

#### IN THIS SURVEY

already a hive of election-eering for National Assembly elections ......Page 2 ☐ Trade and industry: The post-war spending spree has been less than ire-☐ The economy: Even is scarcely a place of sien-☐ Defence: Rebuilding and reorganisation of Kuwait's made a priority ...... Page 4 Compensation: Organising the claim against Iraq could take as long as two The oil industry: Restoration of output is accelerating well beyond the

☐ Editorial production:

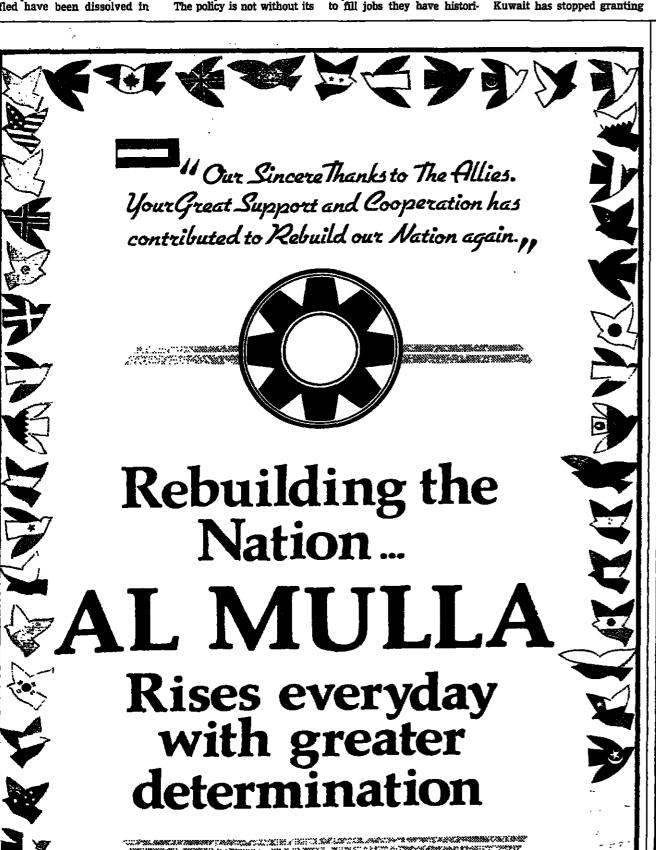
much of what the government has been seen to achieve. By signing military co-operation pacts with the US and UK, the government has made

the government has made Kuwaitis feel more secure than they have done for years. Oil revenues are reviving apace and the government has wasted no time in putting a little of this money into most pockets, both through pay rises and by writing off outstanding consumer loans.

The post-war arrival of

The post-war arrival of 100,000 new cars in the emirate and countless thousands of brown and white goods testifies to how much Kuwaitis have enjoyed their re-stocking. Indeed, the overriding Kuwaiti concern these days appears to be restoring private and family life. "Everyone is only concerned with themselves," says Mr Jasem Qabazard, a National Council mem-

ber. "Everyone is preoccupied."
If the result is to create a strong and pervasive feeling of introspection and insularity in Kuwait, few Kuwaitis seem worried by that. "The feeling is, Allah gave us oil and we will enjoy that in peace." says one western diplomat. "It is a dream of being outside the



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The Al Mulla Group-Kuwait.

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TO THANK THE
GOVERNMENTS AND
PEOPLE OF BRITAIN
AND THE
ALLIED NATIONS
FOR THEIR
SUPPORT IN THE
LIBERATION
OF OUR COUNTRY



Mohamed Abdulmohsin Kharafi

A NAME YOU CAN DEPEND ON

### Shopping spree curtailed

STRIP a country of its valuables and the chances are it will go on a shopping spree

at the earliest opportunity to restock.

This is what has happened in Kuwait, but the spree has been less than frenetic. Several factors have prevented the spending boom that western exporters had heard for and the construction. hoped for and the government's policy of trying to make Kuwait truly Kuwaiti, as it sees it, has reduced the population.

About 400,000 Palestinians, many of whom earned relatively high wages in pro-fessional and technical positions, are no onger there. Kuwait's overall market is barely two-thirds of its pre-war size.

The Kuwaitis and expatriates who have returned since the war have been less inclined, and less able, to spend than before, mainly because of their reduced means and reduced creditworthiness. Individual country's exports to Kuwait are either little changed from pre-war lev-els or they are dramatically lower.

US companies have maintained or increased their sales to Kuwait by taking a bigger slice of a smaller cake. They have lifted sales largely at the expense of Japanese exporters and, to a lesser extent, the Germans. US sales have been helped by the Kuwaiti "thank you" factor since the war. The government has favoured goods from those countries that took part in the allied war effort against Iraq, in particular

Certain items have enjoyed a one-off replacement surge, but the rest of the market is flat. Where sales have boomed, the boom has been shorter and less intense than exporters had hoped. An immediate post-war jump in sales of cars, electrical goods and food is levelling off.

Aside from spending still to come on reconstruction, the boom, such as it was, is petering out.

Restocking in the cars sector was under-way within weeks of the Iraqi departure last February. More than half the country's 560,000 cars, trucks and buses were stolen or destroyed. Government ministries, shops and offices were virtually stripped. The Iraqis left with cars, computers, industrial machinery, food and an array of spare parts.

American exports, dominated by car and truck sales, stood at \$748m up to September last year and could be close to \$15n for the whole year, according to US officials in Kuwait. This compares with sales of about

By contrast, Japanese exports to Kuwait, mainly cars and electrical goods, were only a fraction of 1989 sales, at \$180m by October last year. Sales in 1989 were around \$670m. Japan, whose important trading partners in the Gulf are Saudi Arabia and the United Arab Emirates, has taken a much lower profile since the war. German sales, consisting mainly of cars. machinery and electrical goods, were just over \$93m up to October compared with

about \$400m in 1989.



The post-war increase in sales of food, electrical goods and cars is levelling off

machinery and food, were \$180m for the whole of last year, about 80 per cent of 1989 exports. The main exporting countries have arranged with export credit guarantee packages, including \$2bn by the US Ex-im bank (confined to public sector projects), \$700m by the UK authorities, \$1bn

by the Japanese and \$550m by France. Kuwait's roads, which were mercifully quiet for a brief period after the war, are again crammed with foreign cars. General Motors, Ford and Chrysler of

the US are, predictably, selling more strongly than the big Japanese operators, Nissan and Toyota. US officials say this is also because American companies were quicker to get started on spare parts and financing than their rivals.

In addition to US and Japanese models that still dominate the roads, Land Rovers now occupy a tiny niche – the British manufacturer has sold about 550 since the war ended. The Al Mulla group, one of Kuwait's big

family trading companies, imports a vast range of goods, including vehicles from Chrysler, Mitsubishi and John Deere and computers, office equipment, and white goods from IBM, Zenith, Zanussi, General ectric, Minolta, Groupe Bull and Sharpe. The group's office equipment section says it has been selling between 40 and 60 machines a month over the past year; sales worth about \$4m. But demand is

slowing across the board. "Sales peaked by about November, says Mr Aranasalam Narenthiran, Al Mulla's deputy managing director. "The market has not exactly dried up but it is levelling off." Showrooms and warehouses are bulging.

Agents and their supply companies abroad had banked on a longer boom and many traders have overstocked as a result. "There's nothing we can do except moni-

tor our stocks very carefully to try to

on our hands and a dead market," says the

les manager of one Kuwaiti trading com-

Al-Sayer, Toyota's agent in Kuwait, lost 1,500 new cars and 850 used cars during the occupation. It was five months before

Toyota was shipping enough cars to meet demand immediately after the war.

Since then, Toyota has shipped in 9,145 cars, but sales have tailed off and it has sold only 5,800. Annual sales before the war were around 12,000. Toyota says it is now looking to consolidate sales at between 9,000 and 10,000 a year.

While the big family traders have been able to gain credit, restock and sell, conditions for the country's thousands of small and medium-sized businesses, most of them already in debt, have been extremely difficult. Without the backing of big exporting companies, many have been unable to get started again and face colanse in the months ahead.

The difficulty for smaller traders is that they can't get credit from the banks whereas the larger businesses can," says Mr Hilal Al Mutairi, director-general of the Kuwait Chamber of Commerce and Industry, representing the country's 18,000 busis. "We are hoping the government goes ahead with a proposed programme to buy up all the debts," says Mr Al Mutairi. The debts would then be rescheduled over 20 years at low or zero interest rates. This would enable businesses to negotiate fresh credit with the banks and restart.

The government is itself burdened with the costs of war and reconstruction although it may have to come up with some sort of commercial write-off. Any such package may come too late for the hundreds of businesses that have missed the shopping spree and are still struggling

### Hive of electioneering

ELECTIONS for a new Kuwaiti National Assembly do not take place for another eight months, but you would scarcely know it. The emirate is already a hive of electioneering.

Opposition groups, seeking to revive the momentum they enjoyed immediately after Kuwait's liberation, hold regular combined meetings attracting more than 1,000 people.

More than 40 members of the

National Council, the interim consultative assembly reconvened by the Emir last year, have declared their candidature and some have already enjoyed lusty public exchange with opposition figures.

Diwaniyas, Kuwait's unique home-based discussion groups, are more numerous and politicised than ever. And the government scarcely appears to twitch without thinking first of the electoral consequences.

In part, the buzz surround-ing October's poll manifests political ambitions pent up since the Emir dissolved the last full National Assembly in 1986 - and with it selected paragraphs of the country's 1961 constitution - citing secu-rity reasons for suspending a forum which was offering increasingly bitter and troublesome opposition to the government's policies and some of its ministers – none of whom the Assembly had powers to

a<u>pp</u>oint. The excitement also reflects broad will, most vocally put by opposition groups, to get to grips with the governance of the new post-war Kuwait. But as to whether, finally, the war has substantially altered the real issues of Kuwaiti politics, or the political alignment of its limited electorate, opinions are mixed, and firm judgments are

probably premature. One certain change since Kuwait's last poll will be the size of the electorate, which is limited to Kuwaiti males over 21 who can trace family lineage back to Kuwait City in the 1920s. Due largely to the youthful profile of Kuwait's population, by October more than 90,000 Kuwaitis will be on the

This is a rise of 30,000 on the number eligible to vote in the June 1990 election for the interim, and purely consultative, National Council - of

were government appointees.

Women and "second degree Kuwaitis" - Kuwaiti citizens not so tightly defined by refer-ence to their 1920s for-bears - will not vote in the 1992 poll, although Sheikh Jaber al Sabah, the Emir, has promised to "study" their evenfinal enfranchisement and the next assembly is sure to have this issue near the top of its

Campaigning proper cannot start formally until three weeks before the election date, which remains to be set. From that time, candidates will be allowed to raise tents outside their homes to entertain election gatherings - not the least attractive feature of which are some candidates' efforts to compete in providing the most lavish cuisine.

The social onus laid on Kuwaiti election meetings is characteristic of the emirate's brand of "democracy" which traditionally places heavy stress on the achievement of consensus - very often through the institution of the Diwaniya, itself a fundamentally social gathering. Diwaniyas, hosted by and open to members of the ruling family and ordinary Kuwaitis alike. are a highly efficient grapevine in what is essentially a cosy, if

clannish, city state.
"We grind and grind, and eventually reach consensus." says Mr Jasem Qabazard, a member of the National Coun-cil, both of its own decisionmaking process and that of

Kuwait overall.

Mr Qabazard and other members of the National Council. which is condemned by the main opposition groups as being unconstitutional, claim this consensual system is the defining point of Kuwaiti poli-tics – of which the written constitution is merely a reflection. "There is an unwritten constitution that balance should always be maintained among the main families here. says Mr Ibrahim Shehabi, another National Council member

The opposition, particularly the Democratic Forum, a grouping of largely western-ed-ucated leftists and liberals, disputes this strongly, claiming Kuwait's political structure should flow from the constitu-

decision made since parts of it were suspended in 1986 is illegitimate. "Any government without constitutional control risks becoming a corrupt gov-ernment," says Mr Mohammed al Ghadiri, a Democratic Forum spokesman.

For the opposition, both sec-ular and Islamic, the National Assembly is the means by which Kuwaitis can keep the rule of the al-Sabah family accountable. Although the 50 elected members of the assembly cannot pick government ministers, 16 of whom also sit on the assembly, it can constitutionally demand their appearance to justify policies and it has a limited veto on

government legislation.

The strength of the opposition's challenge in the October elections is difficult to assess although it is already clear



Sheikh Jaber al Sabah, the Emir: reconvened Council

that it will fight energetically for seats. The Democratic Forum, which declared itself a political party late last year in defiance of an unwritten prohibition on such, says it will field 10-15 candidates and expects to win at least five or more seats. Of the various Islamic

groups, the Sunni fundamentalist Islamic Constitutional Movement, which wants to see Sharia law enacted in Kuwait, says it will field 15, while the Islamic Alliance, another Sunni group, will field a further 10. The main Shia group, the National Islamic Coalition, says only that it will field "many" candidates. Shia Moslems comprise some fifth of

The opposition groups will command considerable doniestic news coverage, not least
now that the government has
formally lifted censorship in
local papers, and there will be
much western interest during
the campaign. But many
observers suggest that voters
will return essentially the
same interest groups which
have dominated Kuwait's representative assemblies in the command considerab resentative assemblies in the past - a mix of merchants. Islamic groups, leftists, bed-ouin and western-style liberals - and that the conservatism of Kuwait's voters should not be Kuwait's voters should not be underestimated. "In practice." says one diplomat, "it will be the same parish pump politics it has been since the first national assembly in the

Moreover, despite the prominence of opposition spokesmen immediately after liberation. many observers suggest that the government has gone a long way towards quieting the vehemence of post-liberation demands for democracy by realising its promise of holding elections, by not tampering with constituency boundaries

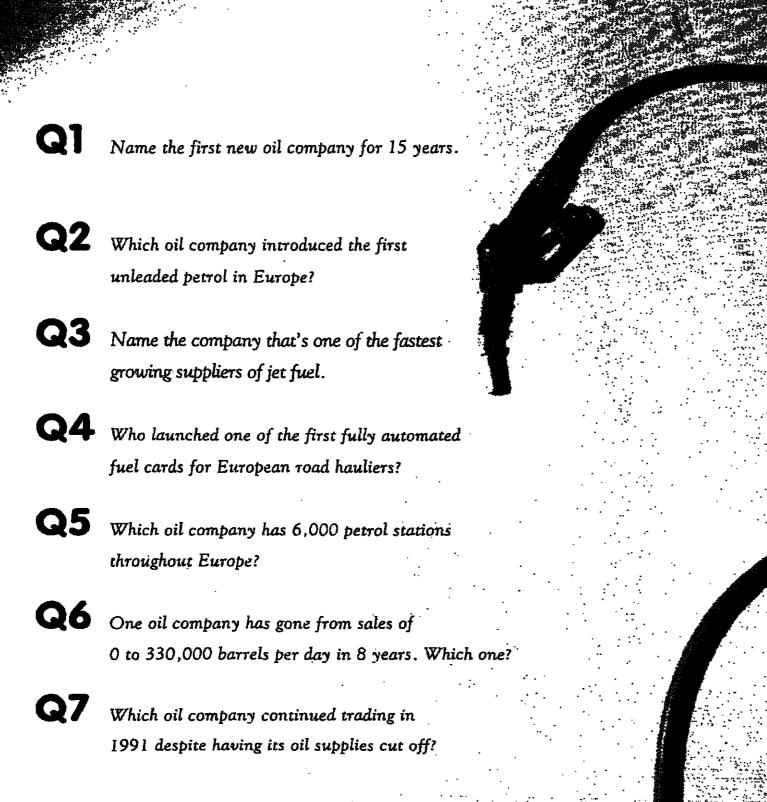
- a trick opposition groups
had feared - and, perhaps
most important, by offering
most Kuwaitis a good deal of

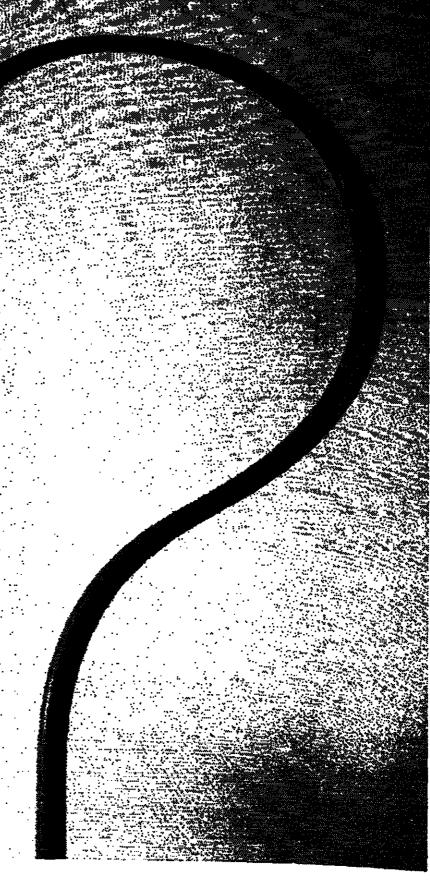
pre-election largesse.

The government has not only raised the salaries of civil servants - up to 90 per cent of whom are Kuwaitis - by 25 per cent, but it has also written off all Kuwaitis' pre-war housing and consumer loan debts.

Moreover, some suggest that the preoccupation with achieving consensus in Kuwait offers the country a political self-righting quality. "There are people rocking the boat, says a western diplomat. "But when the deck gets too near the water, people tend to rush over to the other side to balance it."

However, the real test of this self-righting will come immediately before the elections. If opposition groups find them-selves able to command large and raucus gatherings at their campaign tents, some diplomats fear the government could lose its nerve and call in the security forces - much as it did during pro-democracy demonstrations in Spring 1990, the last time Kuwait's political







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#### **■ THE ECONOMY**

### A financial strait-jacket

EVEN given the crippling effects of the Gulf war, Kuwait is scarcely a place of slender means. The word "austerity" need never cross the lips of policymakers in a country of fewer than 1.5m popular than the popular of the barrals of property of the barrals of the popular of t on more than 94bn barrels of crude oil.

Nevertheless, the war took an expensive toll. Aside from the direct costs of paying coalition allies some \$22bn for waging the war, lost oil revenues, the liquidation of war, fost our revenues, the inquitation of billions of dollars' worth of assiduously cultivated foreign assets and a reconstruc-tion bill which may top \$20bu, Knwait's economy was also left in a distraught and disorganised mess.

The inevitable result will be to leave Kuwait's income heavily denuded over the next few years and its expenses correspondingly inflated.

This year, however, is election year and Kuwait's government is determined that voters will not fault it at the polls for its generosity. The government's ability to cushion Kuwaitis, with more limited available means, will be the policy test of the next year. The wisdom of its doing so rather than adjusting Kuwaitis to a leaner economy is, however, likely to be a matter of debate for some few years thereafter.

For the present, the government faces

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the task of balancing Kuwait's books. In its provisional budget for 1992, still await-ing formal approval by the National Coun-cil, the government estimates revenues will reach KD870m. Just over 80 per cent

of earnings will come from oil, output of which is likely to be near pre-war levels of 1.5m barrels a day (b/d) by the year end. Revenues will be about a third of pre-war income, which also included earnings of KD1bn from the country's overseas investments, held in the Reserve Fund for

Future Generations which before the war was valued at \$55bn. However, local econo-mists reckon that at least \$30bn of this has been liquidated to help cover war costs. Government expenditure for 1992 is projected at KD6bn, a 67 per cent rise on the last published budget in 1990, much of it accounted for by a 43 per cent rise in expected defence spending to KD2.6bn.

The resulting deficit is put at KD5.3bn.

The resulting deficit is put at KD5.3bn

although this figure excludes KD2.9bn

of "extraordinary" war-related spending,
including KD2bn of payments to Desert

Storm allies and at least KD500m for consumer debt write-offs after liberation and gratuities to departing Palestinian civil

The scale of the deficit prompted Kuwait to arrange a \$5.5bn syndicated loan late last year through J. P. Morgan. Treasury bill and bond issues will also be used to make up the shortfall, together with drawings on available reserves.

However, it is the prospect of future deficits which worry some local economists, who argue that unless the government is far more savage in cutting its expenditure, the country faces a highly expensive spiral of accumulating deficits. According to the Al-Shall economic con-sultancy in Kuwait, civil service salary

payments alone will consume 49 per cent of likely oil revenues for 1993 - which the consultancy estimates at about KD2.2bn, assuming exports of 1.4m b/d at an average price of \$15 a barrel. Adding the cost of the government's proposed buy-out of bank debts, that is to say interest payable on bonds to be issue to the banks, will take this to 65 per cent of projected revenues. "Kuwait faces a real and extended deficit for a very long time to come." says Mr Jassem al Saddoun, Al Shall's manag-

ing director.
Given the high level of recurrent gov ernment expenditure, quite apart from the tally of reconstruction costs, Mr al Saddoun says the government is ill-placed to afford much in the way of pre-election bounties. Nevertheless, in addition to the write-off of consumer loans, the government earlier this month approved a 25 per cent rise in civil service salaries, adding a

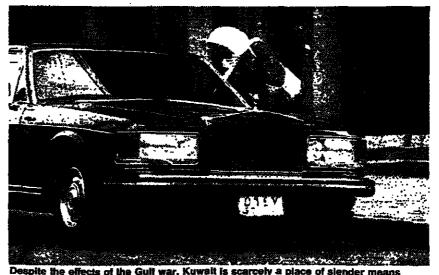
further KD235m to its wage bill for 1992.

Behind such decisions lies the government's determination to ensure that Kuwait's voters, when they tick ballot papers in October, return a tame and government bright National Assembly ernment-friendly National Assembly. "Economic decisions are, such as they are, being taken for political rather than eco-nomic reasons," says one diplomat.

Other observers, including senior bank-ers and economists, privately voice coners and economists, privately voice con-cern that they see no sign that the govern-ment is looking beyond the October election to devise any sort of guiding eco-nomic policy for the rest of the decade, beyond pumping as much oil as possible and banking on being able to repay what-ever short-term debts it may incur. "My main worry is that nobody is thinking at all." confides one banker bleakly.

all," confides one banker bleakly. Such critics propose that the government should, for example, open the oil and financial services sectors to overseas investors to encourage efficiency, privatise what it can of its infrastructure and spread what it can of less essential rebuilding costs over a decade rather than

over the next three or four years. "It's a golden opportunity now to cut the fat and boost only areas where Kuwait has a comparative advantage," says one econo-



mist. The government is clearly aware of the financial strait-jacket it will have to wear for the next few years, and is cau-tiously looking at ways in which it can cut costs. The option of raising revenues through income taxes, although some opposition figures bravely suggest such things in private, is, as in most other Gulf

states, most unappetising.

Instead, the government is more likely to affect what cuts it can in the high level of subsidies paid on public services. Cooper and Lybrand, for example, has been commissioned to conduct a study into priatising parts of the telecommunications industry although no moves on this are expected much before the middle of 1993. The electricity ministry has also hinted that it is looking at ways of reducing the huge subsidies on power; the average cost of a kilowatt of Kuwaiti power is 20 fils. (there are 1,000 fils to the dinar) towards

which the consumer pays only about 2 fils.

essentially represents the loss of upwards of 100,000 families

who kept and maintained

Although a smaller number

of Egyptians and other expatri-

ates have entered Kuwait since

liberation to fill some of the

gaps left by this exodus, for the

most part these are bachelors

with much more modest spend-

ing patterns and a greater pro-

pensity to remit earnings out of the country. Bankers in

Kuwait readily admit that even

homes in Kuwait.

In addition, despite the huge rise in overall government expenditure outlined in the 1992 budget, the government has sought to cut spending in most ministries by 20 per cent against the budgeted 1990 figure for each department – although since the 1990 fiscal year was rudely inter-rupted, this is a fuzzy target.

But critics of the government argue that such measures are no more than prudent book-keeping and do not substitute for an overall economic strategy. In particular, some economists argue, present policies portend a further fattening of Kuwait's already flabby public sector with little

incentive for private enterprise.

At one level, the government's big pay award to the public sector has already provided a further disincentive to Kuwaitis, 90 per cent of whom already work for the government, from entering the private sector.

More crucially, however, the govern-

ment has effectively dealt two reeling blows to the private sector - and the Kuwaiti merchant families who run it - by deciding first to slash the size of the emirate's post-war population and, second, effectively to abandon all ambitions for Kuwait's non-oil industrial and manufac

The loss of 400,000 Palestinians, most of them long-settled families in Kuwait, has already had a shattering effect on the mar-ket for some Kuwaiti trade companies and

will have a depressing knock-on effect on lending opportunities for Kuwait's banks. So far, the government has announced no formal policy towards the industrial private sector but merchants and bankers are taking it as read that the government has given up on what before the war had been heavily-supported attempts to develop local industry. Although this in its way also cuts government spend-ing - and, some would argue, wasted spending, given the indifferent performance of the small manufacturing sector before the Iraqi invasion - it nevertheless closes off yet another part of the fast-di-

minishing private sector.

This might not matter were it not for the fact that more than half of Kuwait's population is under the age of 14 - meaning that the economy will have to expand somehow to offer these young Kuwaitis jobs. In Mr Saddoun's view, the result will be not just underemployment, already rife in Kuwait, but real unemployment.

In the end, however, the government may simply decide that rather than subsidise the private sector with oil rever creating what one local economist calls "fake industry", it will simply swell fur-ther the ranks of the public sector. In which case, the only calculation about the Kuwait economy which matters over the next few years is that for likely world oil

Starkly put, of course, this is perhaps the only economic calculation in Kuwait which ever matters

**Mark Nicholson** 

#### WITHIN a month, Kuwait's BANKING banks hope to be reborn. By

then, the government expects to have finalised a bold scheme to clear billions of dinars Living in a short-term world worth of bad debts from their books by purchasing them itself in return for an extraordinary sale of bonds. The scheme - which is awaiting approval by the

National Council, Kuwait's interim political assembly, as this survey goes to print - would be one of the biggest single write-offs of bank debt in history. It would also put Kuwait's banks soundly their own feet, with wholly clean balance sheets, for the first time in a decade. Since the informal Souq al

Manakh stock market soared. only to crash, on a spree of speculative share buying based on post-dated cheques, residual debts from the 1982 crisis have rendered all but one of Kuwait's banks technically insolvent, propped up only by considerable central bank support. Only the National Bank of Kuwait, Kuwait's biggest bank, has in the past few years declared soundly-based trading

The new plan would thus be the final chapter in the long and tangled tale of the Souq al Manakh. It would also clear the banks of all their pre-war debts, on the grounds that with many borrowers ill-equipped to repay them due to post-war hardship, these debts too might turn bad.

The plan has a neat, onceand for all ring to it. Although the Kuwait government already had in place the cumbersomely-titled Difficult Credit Facilities Resettlement Programme to address the Soug al Manakh bad debts, this had dragged on with mixed success throughout the 1980s. bank lending - embracing

Now the government has sought to take the extraordi-6.258 debtors in all. nary circumstances offered by the war finally to grasp and uproot this troublesome nettle. In February, the entire banking system was effectively on hold pending the scheme's final approval. But for a variety of reasons, Kuwaiti banks are awaiting their rebirth with trepidation. For one thing, although they

> Many bankers would prefer a blanket

to pay. These rates will be set after an evaluation of their

for the first few years at least. Although the details of the buy-out plan are still being debated by the National Council, its outline is clear. The government is proposing to buy a total of KD5.8bn of debt, 81 per cent of it owed to Kuwait's six the remainder to several finance houses, through a oneoff sale of government bonds. These bonds will pay interest at a rate to be agreed, but which is to reflect the banks'

ted to be 5-7 per cent, roughly the cost of banks' deposits. The government will then formally take over the bad debts, KD1.9bn of which

universally applaud such a

sweeping solution to their

long-standing debt problems, they worry that the plan may

falter badly on its details. For

vinced that post-war Kuwait

will offer them a particularly

prosperous second childhood.

another, few bankers are con-

reflects the legacy of Souq al hehalf," says one banker. Manakh and KD3.8bn pre-war "Where's the incentive in that? It only hurts our relationship

But while the banks will have the debts off their books, they will still be expected to administer the rescheduling of these debts. Individual debtors and companies will have 20 years to repay and a three-year grace-period. At present, it seems likely that debtors will be expected to pay rates of interest relative to their ability

rescheduling package

assets or cashflow.

But this is where bankers start feeling queasy. Although it makes sense that the banks' credit departments, which by now have a 10-year-old rela-tionship with some of the Souq al Manakh debtors, should administer the debts, this solution also means that the banks will have to maintain the costly and labour-intensive debt management departments dedicated to these bad debts.

Moreover, since the debts average cost of funds - expecwould formally be off their books, the banks have less incentive to chase up the debts as vigorously as before. "It's like asking the banks to collect vigorously as before. "It's taxes on the government's

Kuwait's population, and its demographic mix. Bankers point out that the exodus of 400,000 Palestinians

with our customers.' In addition, many bankers argue that the new plan shares a flaw in the original settlement programme by seeking to tailor interest rates on the rescheduled debts to the debtor's revealed ability to pay. This, they say, is an incentive for debtors to hide the full extent of their assets and, in the case of many of the bigger debtors, to keep their wealth out of the country altogether.

For these reasons, many bankers and economists would prefer a blanket rescheduling package whereby all repayed debts remained interest free. However, there is a widespread conviction among many Kuwaitis that the biggest part of the outstanding Souq al Manakh debt lies in a small number of rich and influential hands and that any interestfree rescheduling would let

such debtors off. With the government intent on courting favour before the October elections, it is likely to approve, despite the bankers, a plan which would expect interest payments from the biggest

In the end, however, any plan may make little actual difference to the amount of money retrieved. Debtors under the old deht settlement scheme had little difficulty in creatively accounting their way out of paying interest on their debts. Moreover, debtors who slithered clear of the old scheme apparently fear little from the new one. "The gen-eral feeling in the market is that they won't have to pay anything anyway at the end of the day," says one leading

In the end, the scale of debt recovery will be the worry of the government, the new creditor under the scheme, rather than the banks. But the debt plan will have further knock-on effects on their ability to resume business as usual. For one thing, banks will find it difficult to assess the creditworthiness of any of their clients who are also engaged in the separate pro-cess of having their old debts assessed under the reschedul-

ing scheme. Since the rescheduling scheme theoretically has priority on any debtor's assets, banks will not be able to judge their ability to repay fresh loans until a scheme for repayment of their old ones is assessed and under way. Since the rescheduling scheme embraces more than 6,000 debtors, this means many of the banks' best clients are likely to

"For 1992, most banks are not going to be able to lend much, if anything, to the private sector," concludes one bank analyst. The effect on most banks'

return on equity is therefore likely to be sharp and depress-ing. Not only will fresh lending be constrained, but the loans which are to be replaced by government bonds also represent in most cases 40-50 per of banks' assets. These will, after the buy-out, give a return only of the banks' aver-age cost of funds.

But if this will have the effect of crimping banks' earnings, so too, in the view of most bankers, will the likely mic prospects in Kuwait itself. Two aspects of post-war Kuwait are particular con-cerns: the diminution of

with a population of 2.2m peo-ple before the Iraqi invasion, the emirate was overbanked But with as many as 1m fewer people and much tighter competition for what good business exists, the banking sector is certain to contract.

Indeed, Kuwait's banks have already slimmed considerably since the war. Most have opened only half their branches and are operating with about 40 per cent of their pre-invasion staff level. Few analysts expect banks to expand much, if at all, beyond these levels for the next year at least. "Cost cutting is the Holy Grail just now," says one

Gulf bank official. The next, and some argue inevitable step, is for there to be fewer banks. This is the professed ambition of the central bank, which has repeatedly insisted since liberation that the banks should consider

mergers. But talk of bank mergers predates even bankmoans about bad Souq al Manakh debts and so far such talk is little more than specula-

tive gossip.
In the view of most analysts, the issue can be sensibly broached only once the banks

Caution for foreign banks seeking to establish relationships

are able to publish balance sheets. No bank has done this since 1989 and none can until implementation of the debt settlement programme. "There's not a hell of a lot anyone can say about Kuwait's banks until have some books to look at," says one analyst of the Kuwait market.

For now, groups such as Capital Intelligence, the lead-

ing Gulf credit rating agency are recommending that all Kuwait banks be treated more or less as sovereign risk until figures are revealed. They are also cautioning foreign banks seeking to establish relationships with Kuwaiti banks to hold off until the picture becomes clearer.

Until then, Kuwait's bankers remain condemned to living in the short-term world they have occupied since they opened their first branches immediately after liberation; servicing depositors, lending limited and short-term funds to selected traders, dabbling in foreign exchange markets, processing letters of credit and, above all drumming their fingers on the desk waiting impatiently for what is billed as final approval of the final plan to clear their

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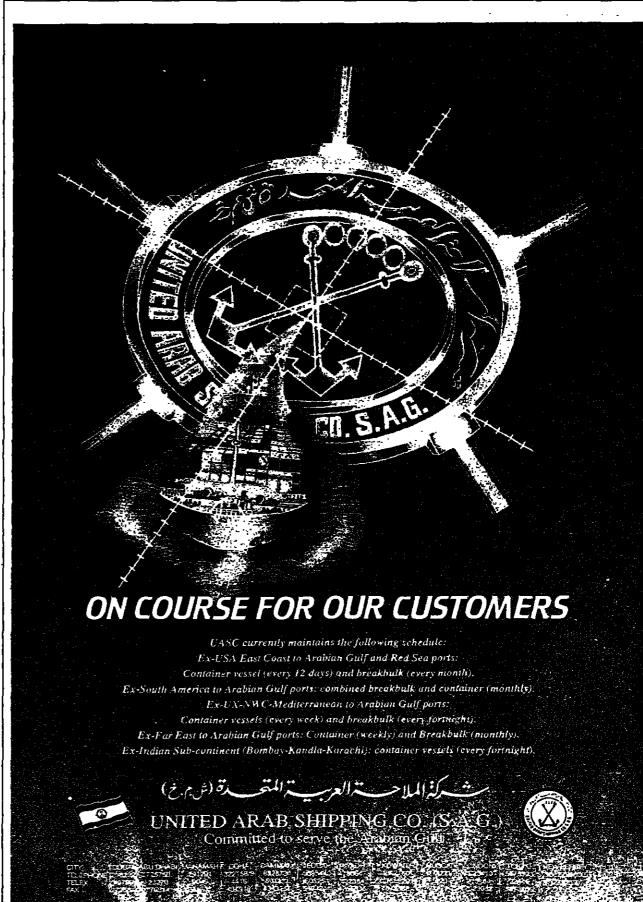
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ONLY camels are comfortable without air conditioning in Kuwait. Temperatures are manageable at this time of

year but in the summer, the

patched-up power and water

Work so far has barely scratched the surface. Millions

of dollars worth of contracts

are still to be awarded to make

good the severe damage inflicted during the seven-

month Iraqi occupation. Repairs to the country's power stations have restored about a third of their pre-war capacity of 7,200MW. That is enough to meet the current load, but it is

still short of the likely surge in

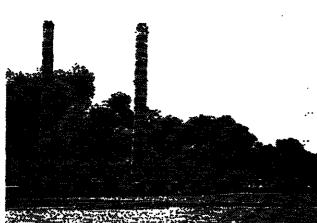
demand over the next six

"We have set a target to pro

untry bakes. The scorching heat of August will be the greatest test for the emirate's

Sheila Jones takes a look at repairs to the electricity and water networks

### Many contracts still to be awarded



A Kuwait City power station set ablaze by Iraqi forces

duce 5,000MW by August 24," says Mr Ahmed al-Adsany, minister of electricity and water. "By then we estimate the peak load will reach Work on the power stations was especially urgent because they also provided virtually all the country's domestic and industrial fresh water at com-

The government says that 98 per cent of the country has been linked to power and water supplies, although some farming areas in the north are still without plumbed water. It is likely to be two to three vears before the network is

All six of Kuwait's power

hined desalination plants.

stations were damaged during the war. Early estimates put the full cost of the repair work at about \$1bn. Now the govern-ment says it will have to spend next five years, including nearly \$2bn for a new plant at

Sublya contract before the war but the project was suspended after the invasion. The company will supply the boilers and turbines, worth about

Bristol Babcock, the UK engineering company, has just completed an \$8m contract to repair the control room at Doha West power station, built in 1983. The new control room was scheduled to be switched on today for the first time since the war, operating ini-tially at a tiny proportion of its capacity.

The UK company is working

on a similar \$10.8m contract to repair the control room and other items as the adjoining plant at Doha East, which was built in 1977. Boilers were also badly damaged and most of the fuel tanks were destroyed. Deutsche Babcock, which supplied the original boilers at the two plants, won the order for new boilers. The government has reopened bidding for a \$20-\$25m order for the new fuel tanks after rejecting initial bids last year. FC Babcock, the group's French subsidiary, appears to be a likely con-

One of the biggest single contracts being negotiated is for the replacement of desalination units at Shuwaikh. Estimates for the work range from \$20m to \$40m. The government says that damage to the power plant, built in 1954, was so severe that it is not worth

repairing. But the desalination plant was only a few years old. The pre-war capacity of each of Shuwaikh's three desalination units was 6m gallons of water a day, about a sixth of the country's daily consumption.

Westinghouse of the US is chasing the Shuwaikh contract along with Hitachi and Mitsu-bishi of Japan, Hyundai of South Korea, Alsthom of France and a handful of smaller western companies. Westinghouse says it will enter a joint venture with a civil engineering company, possibly Blount of the US, if it wins the contract

Temporary repairs have been carried out at two of the other power stations, but the of action. Shuaiba South and the al-Zour plant, Kuwait's newest power station, built in 1988, suffered little damage. The two plants are supplying all Kuwait's current capacity. ransmission cables to al-Zour have been patched up, along with about 10,000km of cable throughout the country.

Blount carried out temporary repairs to the cable network jointly with subcontrac tors, local companies and government workers. Some of the subcontracted work has



The Doha West control room before Bristol Babcock repairs

gone to Balfour Beatty, on overhead repairs, and BICC on ground cables.

The repairs have enabled the country to tick over, but the heavy investment needed to bring the system up to full power has barely started.

The cable network was so extensively damaged that it will cost about \$200m to put

Blount has just started work on a \$15m contract to replace high voltage overhead cables.

A string of European, Japanese and US companies are bidding for the rest of the cable work and for the outstanding contracts to repair the country's 4,000 substations, about a third of which will have to be fully

Several hundred substations have been repaired and equipment replaced by Westinghouse in partnership with Blount. Trans-electro, of Hungary, which built many of the original substations, has also carried out much of the tempo-rary repair work. The full tally of work is likely to reach

Power supplies were more severely disrupted than the flow of water. Early repairs to the distribution system quickly secured enough water to sat-isfy demand from the return-

ing population.
Reservoirs, which suffered little damage, are back to pre-war storage levels of about 2bn

Current demand of 90m gallons a day will rise to about 130m by the summer. The two Doha plants and the al-Zour plant are now capable of prod-ucing 185m gallons a day between them. Full capacity will be reached only when the power stations are restored.

The destruction has at least

given the government the impetus to upgrade the system. Western engineers say the network needed repair anyway because of poor maintenance over a long period.

The size of the final bill is

forcing the government to look at ways of reducing demand and cutting costs. Mr al-Adsany says the government is considering a phased reduction of the heavy subsidies it pays on electricity and water bills. It may also introduce higher

peak-level charges.

The timing of such measures might be difficult. The government has promised public sec-tor pay rises of 25 per cent, but as Mr al-Adsany says: "What we give with one hand, we cannot take with the other.'

KUWAIT signed a military Britain this month, similar to a 10-year pact agreed earlier with the US. A deal with France, the third active western member of the Desert Storm coalition will

follow soon. None of these agreements – as each government is keen to emphasise - includes any wording committing the three allies to the automatic defence of Kuwait in the event of further aggression against the emirate. But that is not entirely the way Kuwait prefers to interpret these pacts. "Let's just say their perception is a bit stronger than ours," says an official from one signa-

The two deals so far signed and the French one to follow. are essentially undertakings to conduct joint manoeuvres with the Kuwaitis, offer increased training to Kuwaiti forces and co-ordinate arms sales packages. The US pact also includes provisions to pre-position

\$5bn on the network ove Subiya in north-east Kuwait. Mitsubishi of Japan won the

but temporary, repairs, and only a handful of the biggest contracts has been awarded. Scores of western companies are battling for the spoils.

### ■ DEFENCE

### 'Backstop role' for the west

tanks, armoured personnel carriers and artillery in Kuwait. No one is in any doubt that Kuwait, which lacks either strategic depth or sufficient manpower for a substantial army, would have finally to rely on western assistance to repel another outright attack. But the western powers are determined that Kuwait should not read this an excuse not to, first, steel its own domestic forces and second, to weld itself more effectively than before the war into a collective

Gulf security arrangement. Kuwait has, in fact, made a priority of rebuilding its armed forces, which were left depleted, disorganised and demoralised by Iraq's swift

of the forces will be made fol-lowing completion of a detailed US study to be presented to the

\$1bn. It is now negotiating with the government which is trying to hold the company to

prices agreed under the 1989

contract. A group of Turkish companies is building the plant's infrastructure. Work is

Much of the post-war work

has been to carry out urgent,

due to start in 1994.

forcements to arrive.

invasion. A full reorganisation Defence Ministry this month.
While details of the reorgani-

sation, and therefore of the the army's procurement needs, await the results of this study, it is already plain what will be required of Kuwait's rebuilt force: that it should be able to resist an aggressor for long enough to allow foreign rein-

In practice, this would amount to holding out against Iraqi forces – which remain the likeliest longer-term threat to Kuwait - for two or three days. "If the army could hold out for seven days, it would be

incredible," comments one defence analyst. But even this circumscribed

ambition will require substantial work to achieve. To begin with. Kuwait must somehow with, Adwart must somerlow find the manpower to fill an army which before the war boasted 20,000 men under arms, but which has slumped since to about half this figure following the government's decision to disbar on grounds of questionable loyalty some 10,000 Bidoun, or stateless Arabs, who had made up the

bedrock of the ground troops. The Defence Ministry opti-mistically aims to build a total force of 30,000, partly by insisting more vigorously than before the war that Kuwaitis

actually perform their formally obligatory 18 months' national service - an obligation most Kuwaiti males have hitherto managed to circumvent. Although the government wants an army purely of Kuwaiti citizens – and at least 1,000 Kuwaitis have been recruited since liberation - a small number of Bidoun are, out of necessity, being readmit-

ted into the force. As part of the government's professed desire to see its forces armed with the latest and highest technology. Kuwait's ground forces will almost certainly purchase either Abrahams M1A2 tanks from the US or the British Challenger II. but a decision on which or how many is not expected until later this year. Defence analysts say estimates that Kuwait may purchase 200 tanks are, for now, broad

Kuwait's airforce has already received three of the 40 F-18 jets ordered from the US as part of a \$1.60n order originally made in 1988 to replace the airforce's dated A4 Skyhawks and Mirage F1 aircraft. Refurbished bases to accommodate these aircraft will be ready by the end of this year. Earlier this year, the govern-ment awarded US companies contracts to repair the emirate's two devastated airbases under an overall \$81m foreign military sales package. Morrison Knudsen Corporation is to rebuild Ahmed al Jaher base,

Contractors secured a \$18.5m contract to restore the Al-Sa-lem base, south of the city. However, while revival of Kuwait's own forces is in train, much less progress has been made towards securing what western governments insist Kuwait must see as its second line of defence - its Gulf

north of Kuwait City, in a \$24m

deal, while George A Fuller and American International

A residual "Peninsular Shield" force of two brigades, one from Saudi Arabia and one from a mix of GCC countries, has remained in central and

Co-operation Council (GCC)

southern Kuwait since the war. However, this small force fails far short of representing the sort of Gulf security arrangement which the US and Britain formally insist their own defence pacts should only

underoin Since the effective demise of the Damascus Declaration, which aimed after the war to bond the six GCC states, Syria and Egypt into a joint Arab force, GCC states have shuttled chiefs of staff around the region in an attempt to construct some sort of strategic

defence structure for the So far, however, this has yielded little more fruit than a string of studies. Oman's suggestion of creat-ing a pan-Gulf force of 100,000 remains technically on the books but suffers from dis-

control structures - and the potentially fatal question of where the thinly-populated Gulf states will find that many soldiers. While Iraq remains strategi-cally crippled and two US air-

craft carriers remain in or around the Gulf just in case, Kuwait and its GCC fellows have time to mull over details of a joint arrangement.
Continuous US and British military manoeuvres in the Gulf, as part of the joint mili-

tary agreements, will also underline what western defence officials prefer to call their "backstop role".

However, the US and Britain, in particular, are pressing Kuwait and the other

Gulf states hard to make a go of collective defence. Both governments have also made a point of highlighting to Kuwait that whatever the immediate threat from Iraq, no country in the Gulf should lose sight of the fact that Iran has quietly been busy re-arming itself for the past year.

Iran's rearming may offer no immediate threat in itself, but as one military expert puts it: "In a year or two, no-one will be able to make a single decision in the Gulf without considering the Iranian reaction."

Given Iran's distaste for any western military presence in the region, Britain and the US are seeking to impress on Kuwait that there may be a longer-term political cost to being too overtly dependent on its western protectors - not least to those protectors them-

**Mark Nicholson** 



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#### **KUWAIT 5**

"TREAD in my footsteps. There should be no mines here but I'd rather not take the

Paddy Blagden leaves a trail of large footprints in the sand. This is the southern triangle of Ruwait, about 1,500 sq km of desert stretching from the outskirts of Kuwait City down to the Saudi border. It is alive with mines, unexploded bombs and live ammunition.

Mr Blagden is in charge of the British team making safe the second-largest of Kuwait's six sectors, divided up for clearance after the war.

Iraqi soldiers laid millions of mines across the desert. Crates of live ammunition are piled up at Iraqi dug-outs alongside anti-aircraft guns. Unexploded Rockeye bomblets are strewn about. On a southern desert road about 50km from the Saudi border, a large, silvery bomb is up-ended in the sand.
So far, only a few priority areas have been cleared: Kuwait City, the northern beaches and, most importantly,

the oilfields, Kuwait City was littered with grenades and small ammunition. It was cleared by the allied forces soon after the occupation ended but not before hundreds of Kuwaitis, including many children, were killed and maimed by the munitions left behind. It could be another two years before the whole country is cleared. It is a lucrative operation for the handful of ordnance companies and the many subcon-

7.00

Sheila Jones joins ordnance clearance experts in the desert

### A lucrative operation

Royal Ordnance, the British Aerospace subsidiary, was awarded the contract to clear the British sector by the Kuwaiti government last year.
The contract, which also includes part of Kuwait City, the beaches, oilfields and Failaka island off the north-east coast is thought to be worth coast, is thought to be worth about \$100m.

The biggest contract - worth about \$200m

The British, French and US authorities are responsible for the three most heavity-mined sectors

- was awarded a few months ago to Conventional Munitions Systems of the US against com petition from three other US companies, UXB, States International and Olin Ordnance. CMS is still mobilising its team for the US sector and it has yet to start the clearance. The British, French and US access to all the wells was authorities are responsible for cleared in time for the last oil

tractors that have won the clear-up contracts. And it is the first time such work has been handed over to private companies.

Ravel Ordnance the British

Revel Ordnance the British Egyptian authorities to make safe the three sectors in the north and north-west. Bangla-deshi soldiers are also conducting quality assurance sweeps of areas that have been

cleared.
Royal Ordnance was the first to win a clearance contract and by February this year it was the only company to have

started work.
"We were required to act quickly because of the oil-fields," says Mr Blagden. "The big priority in Kuwait was to get revenue coming in again. Before any firefighters were able to get to any burning well head, the access to that well head had to be cleared. It was an appallingly difficult job."

The oil wells were ablaze, belching out dense black

smoke, fumes and hot oil drop-lets. The surrounding desert was a mass of oil lakes and congealed sand. "It was what I imagine hell to be like."

The company started work on the oilfields in May and

fire to be put out in November.
The contract was the subject of helty overrun penalties. Royal Ordnance has also cleared a 27-kilometre stretch of northern beaches down to the port of Shuaibah. These were fortified with trenches and barbed wire entanglements strewn with

anti-personnel mines.
Royal Ordnance has subcontracted the land reinstatement work, such as refilling cleared trenches, to Marr-Bell of the

Work started this month on the southern triangle which the company is committed to finishing by the end of June. Here, the Iraqis laid 84 linear kilometres of mines which stretch out in neat rows as far as the eye can see. In all, there are about 1m mines to be cleared, a mix of anti-tank mines and the small, spiked anti-personnel mines known as Bouncing Bettys (the Valmara V-69. It jumps two feet in the air on impact, then explodes).

Failaka Island was cleared by colding from the Boyel. by soldiers from the Royal

Engineers under Royal Ordnance contract last year. Now deserted and without power and water, the island was used as an Iraqi military base. It used to be a smart holi-

day spot for Kuwaiti day trip-pers. About 550 families lived there.

Most of Failaka's buildings and installations are badly damaged and looted. Some are scattered with Iraqi equipment: maps, a radio transmitter and remnants of military uniforms. In one house, a recently installed bathroom suite is intact. Toys, books, clothing, crockery and family photographs are in heaps on the

floor.
The only people on the island now are the ordnance and reconstruction workers. Virtually all the men working on Kuwait's clearance are ex-military, employed on short-term contracts. Many are former combat engineers and explosives experts.
In the past six months, Royal

Ordnance has laid off about 100 British workers and recruited Gurkha engineers at about half the wages.
The company says the layoffs were partly for commercial reasons. It adds that all its cur-

rent workers are qualified for the work they are doing. It now employs 290 workers, against 440 six months ago. Mr Steve Macpherson, a Glaswegian in his 30s, is on

Royal Ordnance experts Chris Snape (left) and Andy Jones

contract for Passive Barriers, a UK explosive ordnance dis-posal company which has been operating in Kuwait as a sub-contractor since April last

"I came here mainly for the money," he says. "If I stay a full year I should have about £30,000 to take home. It'll pay

Mr Macpherson, a former mines instructor with the British army, has just finished clearing Failaka harbour, dredging the water for stray bomblets and hauling out battered pleasure boats. "I'd rather be sifting this muck than unemployed at

home," he says. Passive Barriers has picked up 20 or so small contracts, mainly clearing areas to enable repairs and reconstruction.

It has cleared cable and pipe line areas, water pumping sta-tions, ports, buildings and pri-vate patches of land.

The company had hoped to get one of the large contracts to clear a whole sector.
"We haven't done as well as
I had hoped," says Mr Brian
Ashwell, Passive Barrier's Kuwait director. "The con-tracts have been worth thousands rather than millions although it has been worth our

while being here."
Even with the clearance operation barely underway, a complicated network of contractors and subcontractors has sprung up.

Some companies complain of a lack of central control and

There should have been a centralised operation and there wasn't," says Mr Blagden. "I think the Kuwaiti MoD decided it would be expensive and was

not really necessary.
"There is relatively little control over the way in which ammunition, in particular, is removed from Iraqi positions and stored. It's extremely dan-

gerous." There have been several explosions at central muni-tions dumps (but no deaths or serious injuries) and there is likely to be growing pressure from clearance companies for central regulation as more operators start work in the months ahead.

claim will cost the government about \$50m-\$60m, money it hopes to

recoup from the UN fund. Soon after the war, the Security

Council told Baghdhad it would supervise Iraqi oil sales to ensure that 30 per cent of the revenues

went directly into the war damages fund. Iraq is refusing to accept the UN plan. Even if Iraq pays into the fund it is likely to be several decades before all claims are paid.

"We have received assurances

are still lots of uncertainties about

whether Iraq will pay into the fund."

come. "This is not simply a matter of compensation. It is documenta-

tion for future generations. It is

hard to make any kind of judgment about whether or not we get all the

compensation we want, but this

operation is something for the

But he is sanguine about the out-

ADEL OMAR ASEM has got the longest job title in Kuwait. He is probably one of the country's busi-

est people.
His desk is awash with paper. His telephone is ringing. He signs another document and takes a sip of tea. "I will be more than happy when this is all over," he says. Mr Asem is director-general of the Public Authority for the Assess-ment of Compensation for Damages Resulting from Iraqi Aggression. It

is called PAC for short.

The agency was set up in November last year to assemble Kuwait's claim against Iraq for damage and loss during the war. It is an enormous and bureaucratic operation that will take about two years to

On February 15, Mr Asem's department sent out 600,000 claim forms. That is roughly one for every Kuwaiti citizen. Foreign businesses and expatriates seeking damages must file claims through their embassies or national authorities.

This first batch of forms in Kuwait represents Phase 1 of the operation. It covers individual and personal loss and injury. Phase 2,

which is scheduled to start in April or May, covers corporate and government claims.
It is likely to be the biggest ever

claim against a single country.
"Kuwait's oil losses alone could amount to \$40bn-\$45bn," says Mr Asem. "Oil is the biggest compo-nent, but there has been speculation that the total could be as high as \$100bn to \$200bn."

More conservative estimates put the likely total at around \$40bn, about half of which is accounted for by oil losses. This includes produc-

Aside from war damage, there was widespread and systematic looting of private homes and **businesses** 

tion lost during and after the Iraqi occupation and the cost of repairs to oil wells and installations. Aside from war damage, there was widespread and systematic looting of private homes and busi-nesses. About 50,000 cars were sto-

### Lots of uncertainties

**COMPENSATION** 

len, the gold souk (market) in Kuwait City was stripped and an estimated \$360m worth of gold bars and foreign currency was taken from Kuwait's central bank Computers went from offices,

books from schools, incubators from hospitals and spare parts from cars and factories. The reparations process is governed by the United Nations, which will scrutinise the final claims pack-

age. In all, the UN is expecting to

receive 2m individual Kuwaiti

claims.

Each of Kuwait's government ministries is likely to file a claim. "Most of the telecoms stations, switches, satellite equipment and so on were totally destroyed," says Mr Asem. "There isn't a single school that hasn't been destroyed or looted. Power substations and water

facilities, museums, hospitals and libraries have all been damaged in some way. Business claims include damage and looting as well as lost earnings and opportunities. Small businesses suffered greatly."

Western loss adjustors, financial experts and lawyers are advising PAC on the claim before it is submitted to the UN, which will make the final demand against Iraq. Last year, the Kuwaiti govern-

ment awarded the lucrative claims management contract to the US arm of accountancy firm KPMG contract - worth tens of millions of dollars - against competition from one of its own affiliates, KPMG Peat Marwick of the UK, which had put together a consortium bidding for the whole package.

"It caused a bit of a stir on both

1990

sides of the Atlantic," according to a western observer in Kuwait City. "It is such a big firm that appar-ently the right hand didn't know

what the left was doing."
Legal advisers on the claim are
Cleary Gottlieb Steen and Hamilton of the US, and Clifford Chance of London, which was originally part

of the UK consortium.

KPMG's staff of 90 in Kuwait City share offices with PAC, which will employ about 370 people at the height of the operation.

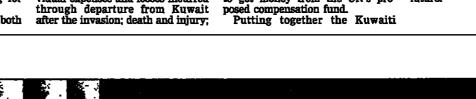
Firms will be asked to submit new tenders for the second phase

covering corporate and government The claim is split, under UN guidelines, into six categories: indi-vidual expenses and losses incurred

Kuwaiti authorities, and any other national governments seeking damages, have 18 months from January this year to submit their claims, although the UN is likely to be flexible about the deadline because of the size of the task.

The UN has stipulated that

war damages fund it is likely to be several



personal and private loss of less than \$100,000; personal and private loss of more than \$100,000; corporate claims; and government claims. The

claims made by private individuals should be processed first because of the scale of personal hardship. In

from the UN Security Council on the principle that Iraq, as the aggressor, should be made to pay," says Mr Asem. "That does not mean we can all sleep comfortably. There Even if Iraq pays into the decades before all claims are paid

particular, the Security Council has said that foreign nationals, most of whom lost everything overnight as they fled Kuwait, should be the first to get money from the UN's pro-

Sheila Jones



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PROFIT BEFORE TAXATION AND EXTRAORDINARY CREDIT	10,075	5,535
CAPITAL BASE		
Share Capital	100,000	100,000
Reserves	21,012	10,358
Subordinated Loans	60,385	58,954
	181,397	169,312
BALANCE SHEET TOTAL	1,723,341	1,959,604

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Mark Nicholson reports on the oil industry

### **Heroics speed** recovery

DURING the days of soot-lader skies last summer it appeared inconceivable that Kuwait should not only have extinguished all 727 of its burning oil wells, but be on target to restore production to pre-war levels by the end of 1992.

However, as the emirate's rivals-cum-fellows in Opec know only too well, Kuwait is firmly on course to pumping more than 1.5m barrels a day (b/d) of oil – its last Opec quo ta - by the year's end, thanks largely to the engineering heroics of the international coalition of fire-fighting teams which doused the last blazing well in early November.

The subsequent restoration of output, which began in June last year, is accelerating well ahead of a targeted rate of 50,000 b/d a month. Output next month, says Mr Homoud al Roobah, the oil minister, will be 710,000b/d, including the emirate's 150,000 b/d share of output from the joint Kuwaiti-Saudi Arabian neutral zone, and will hit 920,000 b/d by

To some extent, this speedy restoration is possible because, despite the graphic horror of the blazing wells, oil engineers have discovered that a good number of Kuwait's total of 1,080 wells are more or less serviceable. Mr al Roobah has said that 65 per cent of the Iraqi-detonated wellheads can be readily repaired, while more than 100 wells survived the Iraqis completely intact. Present output is being achieved from just over 120 wells. Repairs on up to 60 of the least-damaged wells in the southern



Oll minister Homoud at Roobah: We need time

Burgan field, Kuwait's biggest, are taking as little as two-10

days each.
Bechtel, the private US engineering group, is co-ordinating the recovery in the southern fields as part of its open-ended contract with the Kuwait Oil Company (KOC), while the Kuwait British Group, a con-sortium of AMEC, Wimpey and Taylor Woodrow from the UK, are repairing the pipelines and gathering stations in the main northern fields.

Some re-drilling has already begun and, again, the Oil Min-istry is optimistic that this will present few problems, particu-larly given the friendly geology of the main Burgan and Wafra

WE ARE BACK WORKING

FOR THE FUTURE

fields where oil lies close to the surface beneath uniformly soft rock. Some 28 wells have already been re-drilled in the southern fields, each taking little more than 12 to 15 days each. Such drilling as will be necessary in the north, where none has yet begun, is likely to take one or two months per well, given the region's tougher and more complex

geology.

KOC has so far commissioned Santa Fe, the Kuwaitowned engineering group, to co-ordinate the drilling programme, with a target of 100 new wells sunk by the end of the control of June and perhaps a further 200 over the next two years.

The government aims to restore output capacity to at least 2m b/d by late 1993, compared with sustainable capacity of 2.5m b/d before the war, and is hinting that it may con-sider increasing this capacity eventually towards at least 3m b/d. However, its present thinking is to hold production at a ceiling of about 1.6m b/ d-1.7m b/d, once it is attained, for six months. This would enable studies into possible damage to the reservoirs caused by the well fires.
"We're like a man just recovering from a disease," says Mr
Rqobah. "We need time to

To date only superficial studies into reservoir damage have been conducted, although oil engineers report that oil pressure in wells already func-tioning in the the southern fields is unchanged from pre-

However, some analysts.



firefighter uses a buildozer to help douse one of the last well fires extinguished

including the local Al-Shall economic agency, have suggested that the race to restore output is drawing damaging amounts of water into the oil reservoirs - a charge disputed by the Oil Ministry. "Our studies show that there is no problem with the reservoirs up to 1.5m b/d or 1.7m b/d; after that we will have to wait and see," says Mr Rqobah.

Restoring Kuwait's downstream operations, however, appears to be proceeding with much less urgency and some western diplomats suggest that the necessary steps to mend the country's refining capacity and revive its petrochemical ambitions may be hampered by bureaucratic cramp.

Short-listed contractors for the management contract to

oversee full repairs to the country's three refineries vourites among which are Fos-ter Wheeler, Fluor Daniel and Brown & Root of the US - have been waiting since early last Autumn for a final decision, which government officials say is due any week now. The government is nevertheless expecting to restore 650,000 b/d of refining capacity,

Engineering heroics: Texan firefighter Red Adair, 76 (centre)

INDEX OF FT SURVEYS

Oct.'90 - Dec.'91

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from a pre-war ceiling of 730,000 b/d, by early next year.
Early repairs made under Bechtel's auspices have revived 170,000 b/d of capacity at Mina Ahmadi and 100,000 b/d at Mina Abdulla - enough to most Euspairs demonst meet Kuwait's domestic power and petrol needs. Shuaiba, which was severely damaged by the Iraqis, remains mori-bund for now.

The government has also, through the state-owned Petroleum Industries Corporation, suggested it wants to proceed with a pre-war \$2.5bn project to build a petrochemicals export plant at Shuaiba, with a 750,000 tonnes-a-year ethane cracker. No formal tender for the project, which may be slightly modified from original proposals, is expected for several months, however.

Lorraine Baker

oil reconstruction programme, which aside from its ambitions in defence procurement make up the biggest slice of its total reconstruction bill, is still the subject of informed guesswork - particularly since no-one appears able to assess exactly what Bechtel's clearly lucrative deal with Kuwalt will

finally amount to.

Mr Roobah says the oil fires cost \$2bn to extinguish, including the purchase of \$600m worth of heavy equipment which will be resold in what amounts to a spectacular boot sale. He has puts the industry's total reconstruction bill, over the next three years, at \$10bn-\$15bn, although external government and industry observers suggest the final figure may be little more than \$8bn, including the emirate's petro-

### **■ TELECOMMUNICATIONS**

### Post-war battle for market share

KUWAIT'S Ministry of Telecommunications faces a dilemma: should it repair and undate the country's wrecked lecoms network or should it throw the lot out and start from scratch.

The former would be cheaper and it might be all the network needs. The latter might be a better long-term bet, particularly as the government gears up to privatisation in the next

A choice between the two is essentially what is on offer from the two main protagonists in the post-war battle for market share. Ericsson of Sweden, and AT&T of the US. The government could take a mix of suppliers, although dealing with three or four separate operators and systems would require different spare parts

and technical expertise. Damage to the country's telecoms network was immense. It is likely to cost the government about \$400m to repair and modernise the netvork. The work will take two to three years to complete. Temporary work on the system has restored domestic and international phone links, but the network is only "limping along", as one telecoms company puts it

any puts it.
AT&T moved swiftly into the breach to patch up the system in the early days after the war. Now it is hoping to build its market share at the expense of Ericsson, which had just over 90 per cent of the pre-war mar-ket.

It is likely that AT&T is looking to supply about a third to a half of the post war mar-ket. A third hig operator, Alcatel, of France, is also a likely contender for a large chunk of the market.

AT&T has enjoyed only a short relationship with the Telecoms Ministry but it has built a lot of good will in that

It provided a new exchange and international lines via a US satellite within weeks of the war ending, enabling the

Ericsson carried out repairs to exchanges immediately after the war and its engineers are training Kuwaiti technicians

first post-war international phone calls.

Ericsson, on the other hand, has a relationship going back several decades and the minis-try says it has been more than

try says it has been more than happy with the service.

The company also carried out immediate repairs to exchanges immediately after the war and its engineers are training Kuwaiti technicians to continue maintenance of the

The Swedish company says that its old electro-mechanical equipment will have to be fully replaced, but that its secondgeneration AXE advanced exchanges, many of which were built in the late 1970s and early 1980s, can be fully undated.

early 1980s, can be fully updated.

"There is no point in the Kuwaiti government spending too much money on what they don't need," says Mr Rolf Hedenström, Ericsson's technical manager in Kuwait.

AT&T says more radical surgery is necessary and wants to modernise the whole network virtually from scratch, with AT&T equipment.

AT&T equipment.
Mr Abdul Aziz Al-Ayoub,

under-secretary at the Tele-coms Ministry, says that both companies have as good a chance as any when the big contracts come up for tender.

replace or repair 11 of the country's 28 exchanges have been awarded, but a large part of the government's investment over the next few years has still to be awarded.

The impetus for modernisation has been driven not only by war damage, but also by the government's plans for privatisation. It wants to modernise the network over the next two years before it floats the new

This includes conversion to a fully - digitalised system - about half the network still operates on the old analogue technology.

Among the contracts

awarded so far:
GPT of the UK has supplied its System X system in a deal worth about \$6m to replace of one of four transit tandem stations at South Sabahiya. This connects the south with the rest of the country. GPT is also supplying an initial 200 pay phones for nearly \$1m.

 Alcatel of France has won a \$8.57m contract to supply equipment to four switching stations. It is also supplying \$4.2m in fibre optics and a \$4.06m microwave system to link the switching centres. Sprint, of the US, is supplying value added networks, including electronic mail and

conferencing.

TCIL, the Indian telecoms consultancy, is to repair and replace \$6m worth of telephones and cables

Ericsson and AT&T have both swept up various con-tracts in addition to immediate repairs and maintenance. Ericsson is going ahead with a pre-war contract to provide a mobile phones system of up to 30,000 lines.

AT&T has also squeezed into the private market. The company says it is now supplying 80 per cent of the country's post-war PABX private exchanges to Kuwaiti hotels

The deals so far are small beer against the investment to come and Kuwait's rival suit-ors may be just warming up for a long and difficult court-ship.

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### European finance and investment: Overview

SECTION IV

Wednesday February 26 1992

Self-preservation is the watchword for financial institutions as they count the cost of the recession and brace themselves for stiffer competition in the European single market, writes Robert Peston

### Consolidation not expansion

operations to withstand this

Banks, insurance companies and securities companies are all making severe cuts in their

sultancies. There is therefore a

growing awareness that cutting costs is not sufficient. It is a zero sum game if every insti-tution is doing the same.

Long-term competitive advantage will be won by those

which succeed in improving

their management and finan-cial controls, which are often

crude compared to industrial

The background to many

banks' long-term problems –
notably those in the UK and
France – is that for the past
few years they have used the
big profits from their retail

operations, serving personal

customers, to cross-subsidise other businesses such as secu-

rities trading, lending to com-

panies and a range of overseas operations.

range of corporate and per-sonal services they provided, to

measure precisely how much capital was tied up in particu-

lar parts of the business and

Because these profits were so big, banks were under little pressure to "unbundle" the

companies' controls.

new competition.

standard of a single mar-ket in the European commu-nity begins, there is a distinct lack of excitement among many of Europe's financial and

investment companies. Grandiose plans to expand all over Europe are out of fash-ion. Even the strongest and most ambitious financial firms such as Germany's Deutsche
 Bank and the UK's Barclays
 Bank - are consolidating their existing European networks rather than aggressively acquiring new operations.

Most financial institutions are tending their gardens. Their preoccupation in the short term is with preserving core domestic operations, which became over-extended during the late Eighties and are now suffering the ill-effects of a widespread recession.

In many cases, their capital resources have been depleted by losses and they need to enhance their profits to rebuild their balance sheets.

Paradoxically, this preoccupation with domestic markets is a response to proposals for European political and economic integration. Over the coming years there will be increasing competition between financial institutions based in different member countries, which will reduce the ability of these institutions to make near-monopoly profits from exploiting closed domes-tic markets. So, companies are doing their utmost to increase

northern Europe on their lend-ing to companies, notably prop-erty companies. Substantial loan losses on

corporate lending have been a feature of recent results disclosed by UK, French and Scandinavian banks, Many of these banks would be in serious difficulties without the bedrock of retail banking profits. One management issue for banks is how to improve controls over leading to except trols over lending, to ensure they do not lend too much to dubious customers. However, progress in that respect will not be sufficient to guarantee a prosperous future for banks, since even retail banking profits are now under threat.

personal customers. But over the past few years, banks particularly those in the UK - have begun to pay interest on current or cheque accounts.
This has led to an inexorable decline in the profitability of high street banking, which is likely to affect banks through-

all making severe clus in their labour forces. Indeed, rival institutions are carrying out similar cost-cutting plans dreamed up by a handful of international management con-Technological change will reinforce this squeeze on retail profits. Branchless banking is already established in the UK, in the form of Midland Bank's First Direct subsidiary. If individuals become accustomed to doing much of their banking by telephone or using auto-mated teller machines, then a bank should be able to expand

The bottom line is that an enduring competitive advantage will be won by banks which succeed in analysing the costs and profitability of the many different products and services they provides. They

fits of such a strategy. In the Eighties, it eschewed low mar-gin international lending and made no significant investment in securities trading, unlike its UK rivals. As a result, its value on the stock market is greater than all its domestic rivals other than Bar-

They have traditionally earned big profits by investing the interest-free deposits of out the EC as legal barriers to competition are removed.

relatively inexpensively, with-out acquiring branches.

services they provide. They could then use their capital to back only those businesses whose profitability is adequate. Lloyds Bank in the UK has already demonstrated the bene-

insurance companies are being forced to concentrate on improving their core underwriting operations and increas-ing their efficiency. Just as banks subsidised

lending to commercial custom-ers with profits from retail operations, so insurance companies have sustained lossmaking commercial risks busi-ness - in which they insure the risks of large companies with profits from their per-sonal lines business and

tially, depressing premium levels and increasing underwriting losses. Medium-sized players such as the French mutual companies and new-comers such as the UK's Direct Line, a Royal Bank of Scotland subsidiary, have undercut slower moving market leaders by selling direct to the public and reducing distribution

A number of companies – such as AGF and Axa of France – are already chasing the business of Europe's biggest companies aggressively. In addition, the recently agreed

costs.

the way for much sharper pan-

European competition.

At the same time the downturn in the equity and property markets means income from investments and realised capital gains has declined. The fall in asset values has also dam-aged the industry's traditionally strong balance sheets.

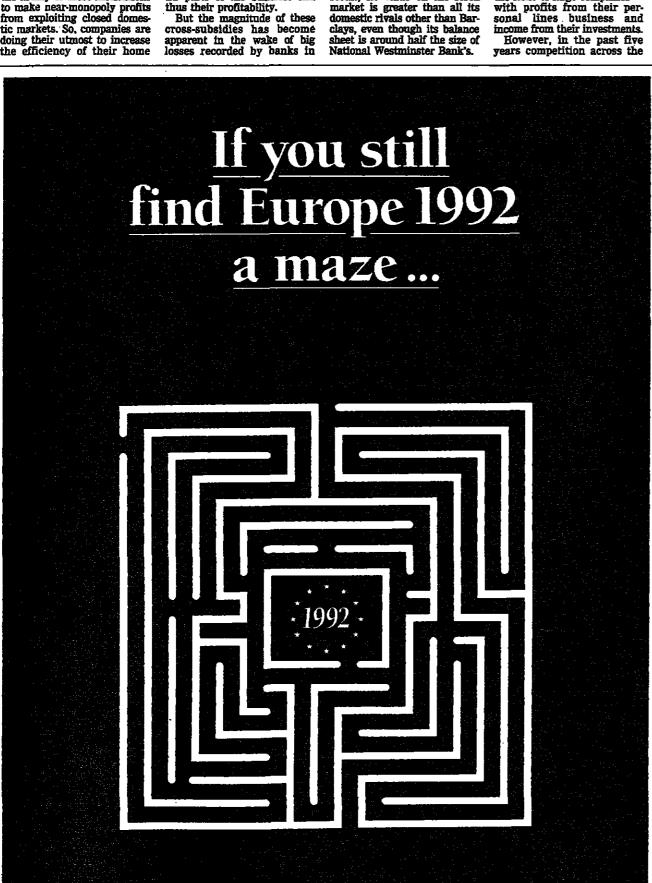
So, today there is an increased emphasis on calculating the risk on policies and setting premiums accordingly. A separate preoccupation of all financial institutions is to ensure the fairness of EC rules governing pan-European com-

for example, are concerned that a forthcoming capital ade-quacy directive, laying down conditions on the strength of balance sheets, will increase costs unnecessarily - and perhaps give an advantage to banks which carry out securi-ties trading business in competition with pure securities

Finally, financial institutions are making plans to remodel their businesses to take advan-tage of the expected monetary union in Europe. The most obvious effect of a single Euro-pean currency on banks would

be to deprive them of some of their lucrative foreign exchange trading business. A single currency would be accompanied by a single benchmark price for invest-ment products throughout the EC in the form of a common base lending rate. This would bolster the trend, already noted, to pan-European compe tition in retail banking and

insurance services. So a common theme for the Nineties is emerging. If expansion was the aim of most financial institutions in the Eight-



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### Investment squeeze likely to continue

Europe this year look far from rosy. Many individual coun-tries across the continent face a slowdown in domestic activity, while there is little hope of the US and Japan to help in

any upturn.
With the German Bundesbank looking likely to maintain its high interest-rate pol-icy until well into 1992, the opportunities may be limited for other countries linked by the European exchange rate mechanism (ERM) to reduce borrowing costs.

That increases the possibility of a further squeeze on investment and demand in several European countries, particularly Britain, France and italy, whose economies are in or near recession.

But the outlook is not totally

gloomy. With President George Bush in the US anxious to put the domestic economy in good shape prior to his effort to gain a second term in the elections at the end of this year, the US administration has been exerting pressure on other leading economies to loosen policy.

America's message has, it appears, found a sympathetic response in Japan, which like the US has cut official short-term interest rates in recent months. As for the utory authority over borrowing costs in Germany and sets the tone for monetary policy across Europe - its hard-line view on interest rates is thought likely to soften during

That would be the case particularly if signs emerge of reduced inflationary pressures and growth prospects in Ger-

Further ahead. Europe has to worry about two pressing issues. The efforts to integrate into the continent's trading system the fledgling democra-

A STRING of scandals - the collapse of Polly Peck, the

Bank of Credit and Commerce

International and the Maxwell

Empire - could not have come

at a worse time for the City of

Just when the City is trying

to persuade other European

financial centres to adopt its practices, these frauds have led

some financial institutions to

question whether the City is the best model for European

Many foreign banks bave

suffered heavy losses in their

British operations over the

past two years, much of the losses resulting from these cor-

The reactions of these banks

vary according to their national origin and their indi-

vidual strategies. Nonetheless,

most say that the prestige of London has been damaged and

that they are likely to scale

down their activities. However.

a massive exodus is unlikely.

the severe UK recession for the

scale of their loan losses, which in some cases compare

in size with those of UK banks.

But others raise questions about the legal and regulatory

structure.
Their criticism is not always

accurate or fair. But it demon-strates that the City has devel-

oped an image problem.
Foreign banks began to criti-

cise the legal structure just

over a year ago, when the House of Lords ruled that all

swap deals - complicated

ried out with local authorities

were illegal. Many foreign

banks had been involved in this market and they therefore

faced huge losses as a result of

Bitterness persists. "We thought London was a free

market, where innovation was

possible," says the managing director of one Continental

Most foreign banks blame

porate failures.

cies of what was the east Euro-pean communist bloc will be an important theme over the

next few years.

Another big subject is the pace of the move towards European economic and mone-tary union (Emu), and what may mean for the individual nations concerned. A framework for a single European currency, administered by an all-powerful European central bank and coming into force around the end of the century, was established by the European Community nations at the Maastricht summit in December. But doubts exist about how

many EC countries will be able to meet the tough targets cov-ering government borrowing and inflation which the sumand inflation which the sum-mit decided must govern the eligibility of individual coun-tries wishing to enter Emu. The strong possibility exists that many nations may find the qualification procedures for Ému too onerous. For example, long periods of high unemployment might be they are to meet the rigorous targets requiring a drop in public sector debt levels and lower inflation matching the

German standards of the 1980s. There is a big question mark over whether public opinion in some countries could stomach such unpleasant side effects whatever the supposed longer term benefits - in which case the general appetite for Emu could fade away. As for the near term, the

half-percentage point increase in German interest rates at the end of last year sent tremors through the European economy. The higher German rates more international funds into the D-Mark, the core ERM currency, forcing all the other ERM nations except Britain to put up their own borrowing costs to keep their

Lord Alexander: committee's

institution. "Then the Lords

for years should never have

An American banker makes a similar point: "Obviously,

foreign institutions are very

concerned if financial transactions they have undertaken in

good faith have unexpected

legal consequences. We thought we knew the British

legal system pretty well. But

will happen when trying out

other inventive types of trans-

More recently, UK account-

ing and auditing standards

have become a target of criti-

cism from overseas bankers who profess astonishment at

the way in which various lead-

ing British groups have col-lapsed. The problem as they

see it is that accounting rules

UK than elsewhere making it

easy to overstate profits or

Auditors, who approve the

report was eagerly awaited

currencies within permitted fluctuation bands. There has been little sign recently that the Bundesbank might feel inclined to cut rates soon.

A 6.35 per cent pay rise agreed by German steelworkers early in February is widely believed to have been above the limit the German central bank thought appropriate, given its determination to damp down the inflationary sures sparked by reunifica tion. The wage increase for the 130,000-strong workforce may give the green light to other key groups of German workers to seek similar rises. That, in turn, will probably strengthen the determination of the Bundesbank to keep rates high, at in a bid to force down the pace of wage increases. But given Germany's traditions as the bastion of low inflation across Europe, the probability of the central bank's brinkmanship tactics paying off must be rea-sonably high, leaving the way open for a reduction in Ger-man rates later in the year. If nothing else, such a turn of events might stop the German economy plunging into the kind of sharp slowdown which would be most out of keeping with what has become one of the main engines of world growth. Many economists are pencilling in growth in Germany this year of about 2 per cent, following an expansion of some 3.2 per cent in 1991 and 4.5 per cent the year before. If the Bundesbank

keeps up its high rate policy for too long, the expansion this year could be still more muted. Any reduction in German rates would be greeted with a sigh of relief by many business Europe, as it would enable some monetary relaxation in several other countries. In Britain, a Conservative government facing an election later

The chief executive of an

American merchant bank in

London makes a separate com-

between the UK and the US in the potential liability the audi-

tors face if it is shown they did

not exert sufficient diligence in their audit. So, UK auditors are

not quite so terrified of making

The evolution of market reg-

ulation since Big Bang is also questioned. Since Big Bang, says one German banker, new

laws have been introduced

which have put business on a legalistic basis which did not

previously exist when he City

operated to the code My Word

The regulation of the City is

thus viewed as being too much

and too little. Too much,

according to an American

more expensive to abide by than in France or Germany,

but too little in the pension funds area, where the lack of

regulation was exposed by Mr Robert Maxwell's plundering of

As for the role of the Bank of

England, some foreign banks

compliment the Bank on its

efficiency in the territory it

covers, but wish it had broader

SLOWLY but surely a single

European market in insurance is emerging. Over the past two

years several important planks in the European Community's legislative programme have been put in place, establishing the basis for genuine cross-

border trading. And European insurance companies are

is my Bond

are offering other services to responsibilities. Continental bankers are occasionally wist-

ful about the more interven-

tionist policies of their own central banks, which often

play a more active role in pre-

venting large corporate col-

that there is not a central reg-ister of borrowings in Britain,

as there is in all big continen-tal European countries. Such a register, which records all

nk loans to large compani

could have prevented lending to the Maxwell empire running

out of control, since bankers

would have been alerted ear-

lier to the overall size of the

debt. A German banker says: "If there had been such a regis-

ter, the Maxwell disaster would

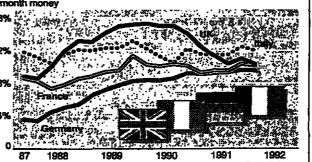
Other bankers also regret

Foreign bankers in London criticise legal and regulatory structure

Scandals mar City's image

European Community GDP growth Change on previous year

Short-term interest rates



this year badly needs to stimulate an economy that has shown little sign of recovering from the deep recession of the past 18 months. Many believe UK output will rise by only about 1.5 per cent this year, after a fall of 2.5 per cent in 1991. It appears that to help kick-start growth the govern-ment may be considering a more expansionary fiscal policy, for instance a cut in announced in the UK Budget. Like Britain, France would dearly like the opportunity to cut interest rates. The Organisation for Economic Co-operation and Development expects

tively meagre exports growth by the OECD last year of just French gross domestic product to rise by a sluggish 2.1 per cent in 1992, after an increase of just 1.4 per cent in 1991. There is a similar pattern in Italy which faces muted growth of about 2 per cent this year. It also - like Belgium and Ireland - faces the giant task over the next few years of cutting down on its mountain That, in turn, could provide a is to meet the criteria on public good basis for sustained

As for western Europe as a whole, Oxford Economic Forecasting, a UK economics consultancy, is moderately hopeful about 1992, projecting overall growth of 1.9 per cent across the EC nations as against 1.3 per cent in 1991. It is also reasonably bullish about world trade growth this year, projecting a 5 per cent increase in export volumes by the 24 industrialised nations in the

OECD bloc. If such an increase

takes place, it would be a sig-

nificant advance in the rela-

One good sign for the economy of the industrialised world as a whole is that inflationary pressures during 1992 are likely to be modest. Many believe price rises at the consumer level across the bloc will be restricted to just over 3 per cent in 1992 compared with 1991, roughly 1 percentage point lower than the change between last year and 1990.

growth later in the decade.

Andrew Hill on the effects of a single market

### Utopian vision is still blurred

IT IS arguable whether the buying habits of the European consumer will change funda-mentally at midnight on New Year's eve. The formal opening of a single European market in 1993 seems unlikely to prompt an upsurge in the number of an upstage in the number of penny-pinching Danes driving to Portugal to buy cheap fridges, or cheeseparing Ger-mans flying to Greece for bar-gain replacement batteries for

their BMWs.

But in the field of investnent and financial services, the single market should make a huge difference: capital should move freely across bor-ders; banks, insurance companies and securities firms should be able to set up and trade in any member state. ders should flourish and the consumer – whether profes-sional or private – should enjoy an unrivalled choice of cheap insurance policies, bank-ing facilities and brokers' fees,

ali available by telephone.
But practical, psychological
and legislative obstacles remain before this Utopian vision can be realised. First the good news. Legisla-tion to establish a single mar-ket in banking services is all but complete. A series of EC measures - including the cornerstone second banking directive adopted in 1989 - has made it possible for banks to hold a single "passport" after 1992.

In essence, this means banks will be able to operate anywhere in the EC, either through branches in third countries or by offering cross-border services, from January 1, 1993. Supervision will be carried out by regulators in the bank's home country.

Forward-thinking banks have already responded to the challenges thrown up by the single market with a series of cross-border takeovers and alliances, but the collapse of the Bank of Credit and Commerce International (BCCI) - Luxembourg-based with branches throughout the EC - has made some observers anxious about the safety of such finan-cial spiders' webs. Brussels is backing up the initial thrust of its legislation with further measures aimed at harmonis-ing specific minimum pruden-tial standards throughout the Community, including directives on supervision and

eposit insurance. The Commission is also working with missionary zeal on a part of the single market - payment systems - which was almost forgotten in the rush to create the single passport. The volume of payments across frontiers is likely to increase substantially from

In investment and financial services, the single market should make a big difference

next year, but at the moment there are few direct cross-border links between banks, making transfers and settlements consuming and unneces sarily costly. The Commission expects to put pressure on banks to set up a more efficient system, perhaps with linked automated clearing houses in each country, by the end of this year. If they fail, Brussels will legislate in this area too.

Progress has also been swift in the insurance market. From mid-1994, non-life insurance policies will be available to consumers from companies anywhere in the EC. and work is under way to reach agree ment on the equivalent legislation opening up the life assur-ance market. Two more insurance directives were adopted at the end of last year, which should ensure the comparability of insurance company accounts across the Community and setting up a

committee to supervise implementation of EC insurance leg-

islation. In theory, the benefits to the consumer should be great.
According to a survey by the
main European consumers' association earlier this year, fixed term life assurance can cost eight times as much in Portugal as it does in the UK. But the same survey also pointed out the practical and psychological difficulties facing consumers who want to buy across borders. Linguistic difficulties, lack of information, inconsistent consumer protection rules and sheer lack of Euro-enthusiasm on the part of some companies were likely to hamper the project, said the association.

The biggest disappointment for Sir Leon Brittan, the EC commissioner responsible for financial services, has been in the securities field, perhaps the area where the single market's largest consumers - investors and corporate predators - buy

The investment services directive, which would allow securities firms to operate any-where in the Community, has been a priority item on the agenda of ministers' meetings since June 1990. For three suc cessive EC presidencies – Italy, Luxembourg and the Netherlands – high-level working groups have thrashed out the issues, but never reached agreement.

The British lead a group of countries pressing for more lib-eral regulation of stock markets, particularly in the key area of transparency – that is, the speed and method by which stock market trades are made public. In the vanguard of the opposing group is France, which would like there to be tight control over mar-

Recent developments have

kept hopes of an agreement alive - just. Having been bogged down for months, the tive - which would establish common capital standards for European securities operations has begun to gain momentum, nudged along by interna-tional agreement between feuding bank and securities regulators in January. Success with capital adequacy rules could improve the chances of the investment services direc-tive. Some national officials in

break up, which would make a majority compromise possible. But to the disgust of advocates of the directive, the UK itself - led by corporate affairs minister Mr John Redwood shows no signs of cracking. Indeed, Mr Redwood indicated in February that the offending measure might be dropped from the single market pro-gramme during the British presidency, which begins in

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Brussels also believe that the

British camp is beginning to

July, if an acceptable agree-ment could not be reached. It is now almost impossible for EC members to harmonise their securities markets before the 1993 deadline, but in this as in other areas of financial services evolution will not come to a halt next year. The demise of the current investment services directive might not greatly upset the City of Lon-don's market-makers, who would be threatened by a French-style regulatory sys-tem. But Commission officials grimly point out that another presidency and another commissioner could always table a new investment services direc-tive at a later date - one which might be even less to the UK's liking.

Heart of the City: foreign bankers believe the prestige of London has been damaged

the most vocal critics of London. Part of the explanation might be that in the 1980s they increased rapidly their expo-sure in the UK - their aggregated loans to the Maxwell empire were second only in size to those of the British

have been impossible."
Sharp and wide-ranging as Another factor might be these criticisms may be, they should be viewed cautiously. their disillusionment which fol-lowed their great admiration for London and its Big Bang. The anger among foreign bank-

ers is clearly related to the size of their losses from doing business in the UK. That prompts the suspicion that by attacking the City's practices, bankers are trying to cuse their responsibility for making some imprudent loans in the British market. Banks also tend to react dif-

German bankers tend to take a softer line and put the emphasis more on the UK economy: "As German banks," says one of them, "our view is that the UK environment is

missing the solid economic basis we are used to."

Americans take a more

crooks and to have a better knowledge of the market," says the head of an American institution in London, before adding that Tokyo and New York have problems, too. Even the most outspoken critics do agree with this last

point the regulatory and legal structure is not necessarily better elsewhere.
The Foreign Banks Associa-

the Foreign Banks Associa-tion is talking to the Bank of England about the possibility of setting up a register of bor-rowings. Foreign banks had also been awaiting with great interest the preliminary report, published last week of the published last week, of the committee, under the chairmanship of Lord Alexander, the chairman of National West-

for City business Nonetheless, some reduction in the scale of foreign banks activities in the UK is likely, with foreign institutions becoming more cautious and scaling down their operations. "They will have to keep their presence in London, but they will not expand as they might have done," says an American

The role of London as an for foreign exchange or Euromarkets should not be affected but British companies might find it more difficult to get credits from foreign banks which, two years ago, were

> Patrick de Jacquelot London correspondent, Les

followed the acquisition route.

Groupe des Assurances Nat-

ionales, Assurances Générales

phlegmatic view. "In the last resort, it's up to the banks to protect themselves against minster Bank, set up to investi-gate possible pitfalls and loop-holes in the UK legal structure ferently according to their nationality. French banks are

Richard Lapper on progress towards a single insurance market

### Barriers fall across Europe

accounts of companies which have later collapsed, are critic-ised severely. Some bankers adapting their strategies to take into account the new opportunities as the barriers between a series of distinctive are concerned that accounting The approval in 1988 of the so-called "second directive" for non-life insurance opened the way by liberalising the market for commercial risks insurrigorous when conducting an ance, allowing all companies above medium size (with balance sheets of more than Ecu17m, net turnover of Ecu33m and more than 500 employees) to buy their poli-cies from insurers established

in any member state. in any member state.

Most countries have now implemented the national legislation needed to bring the directive into effect and already there has been something of an opening up. Traditionally flerce competition for the state of the state industrial companies in the French, British and German markets has intensified, for credit risk insurance Dutch and German companies have taken advantage of the new opportunities to attack the UK market.

Shortly before Christmas last year European Community ministers approved another significant plank of legislation: the third non-life directive endowment plans are attractive in comparison with many of their European counterparts, have made modest inroads into the German market for example. which extends this more open regime to the domestic market. Householders and motorists across the Community will eventually be free to buy their insurance from companies licensed by any one member

Most member states have until 1994 or 1995 to implement the new rules although the weaker industries of Portugal, Ireland, Spain and Greece have been given longer to adapt and will not need to implement the new rules until later in the Progress in the life insur-

ance market, where differences in regulatory and tax regimes makes harmonisation more difficult, has been slower. Here too it is intended that the ideas of a single licence – that com-panies registered in any one member state should be tree to sell their products across the community - should pave the way for a continental market. At present, under the terms of the second life directive individuals can buy life policies from companies registered in other member states but must do so "on their own initiative". Some UK companies, whose

In the short term the Com-mission believes its planned directives should benefit com-panies from countries with less burdensome regulation, such as the UK. Over the longer term, increased competition is expected to lead to harmonisation of regulatory frameworks across the Community.

Although differences in national tax treatment mean imperfections will remain, a ance company accounts - will at least make the differences more transparent when introduced. Accounting practices in continental Europe emphasise prudential considerations, allowing companies to offer the most cautious and conserva-tive interpretation of their performance than is common in the more open markets of the

UK, Ireland and the Nether- Moselle in 1989. As the market emerges the

continent's leading companies are increasingly accepting the fact that Europe as a whole will eventually represent their Two quite separate strate-

gies have emerged. On the one hand the continent's stronger companies have begun to acquire subsidiaries in those mber states where it has as member states where it has as yet no presence. Other companies have opted to form alliances – sacrificing a degree of control in order to use capital more efficiently. Alliances have become popular both because of the increasing cost of outright acquisition and as a means of defence by some weaker players.

Allianz of Germany epit-

Allianz of Germany epitomises the first trend. Its drive to acquire subsidiaries in most European markets was signalled by its unsuccessful bid for Eagle Star of the UK in 1984. Subsequently, though, Allianz bought the Cornhill (the UK's 10th largest insurer) in 1986, bought RAS, Italy's number two, in 1986, and hurnumber two, in 1986, and purFrench companies have also

de France and the Union des Assurances de Paris, have all been helped by the encouragement of their major sharement of their major snare-holder – the French govern-ment – which has stressed the strategic importance of expan-sion. GAN has made two acquision GAN has made two acquisitions in the UK for example, UAP has built stakes in the UK's Sun Life and Belgium's Royal Belge. AGF recently acquired a stake in Spain's Union y El Fenix Victoire, the privately-owned company, in which the French government has an interest via a minority stake held by UAP, paid some DM3.85bn to take over Colonia. DM3.85bn to take over Colonia, Germany's second biggest insurer in 1989.

victoire/Colonia is at the heart of an impressive network, which also includes Baltica, in Denmark, Nordstern in Germany and Nieuw Rotterdam in the Netherlands dam in the Netherlands.

Partially in response to aggressive foreign interest, some companies have combined forces. The merger of Nationale Nederlande and NMB Postbank in 1991 was mainly motivated by the defensive considerations of two com-panies that have a substantial share of their own restricted domestic markets.

Similar considerations influenced Belgium's AG to merge with Amev of the Netherlands last year.

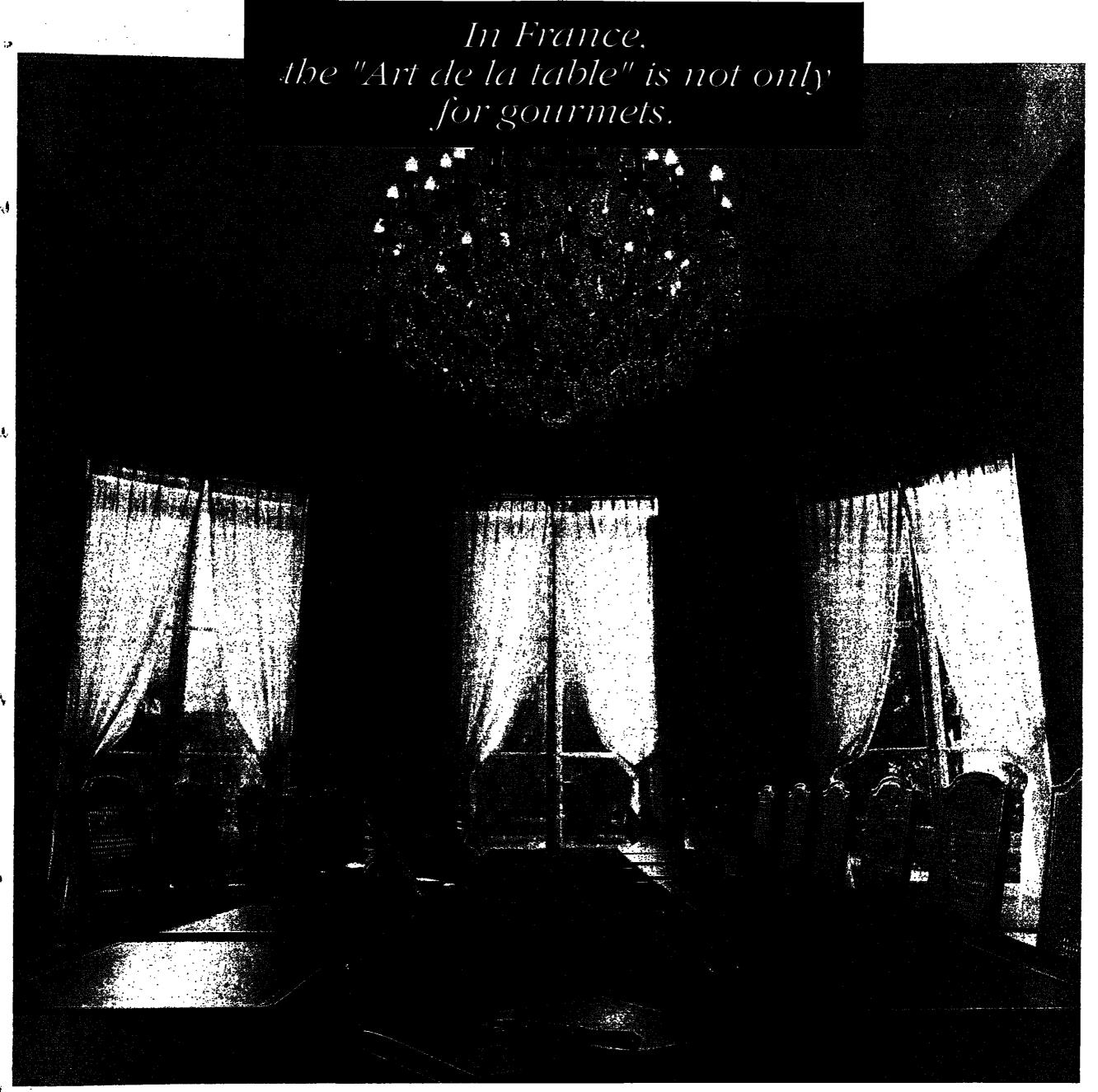
Last year three mediumsized insurers - Wasa of Sweden, Centraal Beheer of the Netherlands and Topdanmark of Denmark – agreed to build or Denmark – agreed to buse up a jointly-owned European holding company into which they would pool all their sub-sidiaries outside their home markets. Friends Provident, the UK life insurer, has subse-centily insued the alliance. quently joined the alliance, entitled Eureko.

But perhaps the most impor-tant recent development has been the decision by three leading European companies -Royal Insurance of the UK, Aachener & Muenchener of Germany and Fondiaria of Italy - to follow the Eureko example. Royal has been hit by losses and its weakened halance sheet makes it a prime target for takeover. AMR, Germany's think himself insuffit. many's third biggest insurer. faces huge losses as a result of its acquisition of a loss making bank in 1987 and has been stalked by the French company AGF. Fondiaria has fewer short-term problems but has virtually no presence outside its own domestic market.

#### FINANCIALTIMES **RELATED SURVEYS** European Finance and Investment Series Offshore Centres Feb 28, '92 **Portugal** Mar 4, '92 Mar 20, '92 Nordic Countries June 8 '92 Ireland June 29 '92 Germany July 1 '92 Sep 8 '92 Oct 7 '92 Nov 9 '92 FOR ADVERTISING INFORMATION CONTACT SANDRA LYNCH 071-873-4199 FOR EDITORIAL INFORMATION CONTACT SURVEYS EDITOR 071-873-4090

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FRANCE
HAS MULTIPLE ASSETS.
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Talk about a single stock market continues, but . .

### Vision of a grand strategy fades

A YEAR ago, the European Community's stock exchanges were at each others' throats in a thinly disguised squabble ate on developing a single venture – known as Euroquote - came to nothing, just

as a similar project had been scrapped several years before.
This year, the diplomats of the Euro-financial world are going about things rather dif-ferently. There have been no grand visionary pronounce-ments about the shape of the European market to come, and no public tiffs. But the talking is going on just the same.

Three things are different this time around. The first results from the fall-out over the Euroquote debacle. This established that there was no noint in the various exchanges getting together to build a new price-dissemination system for Europe when plenty of existing systems could either already do the job, or be developed to do it. Re-inventing the wheel was not something that the UK and Germany, in particular. wanted to do.

As a result, discussions are unlikely to return to the subject of how to build a common market infrastructure - at least not until there is agreement on what the common market should be. That gives any discussions that take place a more sensible grounding.

The second change has been an apparent cooling of hostillties over the EC's proposed Investment Services Directive. Initially conceived as a step to give non-bank investment firms a "single passport" to operate across the Community, the ISD had dissolved by last year into a fight over rival market structures.

One side was driven by the belief that investors are best protected if trading is centralised on to national exchanges, and trade publication rules tightened: the other, by the riew that free-wheeling, crossborder professional markets (such as that for Eurobonds) thrive if left to take care of themselves. That ideological divide (some say it was fuelled by competitive pressures) now eems less stark than it did.

This is partly because cultural differences between are being eroded. For instance, many continental stockbrokers are looking forward to the time

turnover 1991 (£m) Exchange Fed German London'

urposes Source: Federation of EC Stock Exchanges

when they have home-grown pension funds similar to those in the UK or US. As investment patterns converge, regu-lations and market structure will follow.

Another reason is that com-Another reason is that com-petition is driving market prac-tice closer, as national markets copy and (where possible) improve upon the most successful practices of other Euro-pean centres. Take France, which has officially been in the vanguard of the fight to re-regulate markets: its stockbrokers have recently been agitating for greater deregulation.

The more developed continental markets become, the more willing their national market authorities will be to discuss

co-operation

This is because Europe already has a thriving deregu-lated international share mar-ket, conducted by telephone in London and supported by the SEAQ International price quotation system. Its success seems to indicate that, what-ever the regulators rule, there will always be a demand for a professional market relatively free of externally-imposed reg-ulations. If the EC outlaws it, then financial centres such as London say the market will simply move offshore and the EC will be the loser.

The future of the Investment Services Directive has yet to be resolved. But the forces at bas yet to happen. work behind the scenes sug-gest that tensions over this

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issue could gradually ease.
The third change lying

behind this year's discussions between European exchanges is the fact that individual national markets in the EC have moved ahead with their own market reforms. These have taken two broad forms: deregulation and automation. Germany, for instance, has achieved some modest success

with its new version of the Ibis screen-based dealing system. As more business is done on Ibis, so more banks are pre-pared to use it. One leading London house reports that it now does around a quarter of its German share business on Ibis, compared with 10 per cent a year ago. That reduces the need for Seaq International. The more developed conti-

nental markets become, the more willing their national market authorities will be to discuss co-operation. This is because, until now, their rela-tive lack of development has left them feeling vulnerable to London: none has felt confident negotiating from a position of weaknes

Discussions about co-operation between national exchanges are already under way on a number of fronts. Work is in train to bring national listings requirements closer together to make it easier for companies to be listed across European markets, for instance. The national

markets already pool statistics.
These developments could be
the low-key forerunner to further co-operation. As Mr Rudi-ger von Rosen, vice-chairman of the Federation of German Stock Exchanges, says: "They might not look as spectacular as Euroquote, but everyone is glad they are going ahead."

Reviving Euroquote is "defi-nitely not a topic that will come up in 1992", he adds. But if market participants demand extra services, the exchanges say they are ready and willing to act. That could happen either through bilateral arrangements (such as the sharing of prices, which already happens between Paris and Frankfurt) or multilaterally, says Mr von Rosen. Demand from investors and

European companies may yet bring the exchanges back to the table to discuss a grander strategy. At present, though, it

**Richard Waters** 



Frankfurt stock exchange: some modest success with its new version of the lbis screen-based dealing system

#### Profile: BANCO DE SANTANDER

### Ambitions widen across the world

LAST YEAR Mr Emilio Botin, chairman of Banco de San-tander, sold a bank network in spain and bought a sizeable stake of a US bank. He told Santander's annual general meeting this month that he was "very satisfied" with the

Santander is not going to disinvest from Spain in order to concentrate on global banking. The domestic market remains very much the founda-tion of the group's business and this was underscored by the opening of 107 Santander bank branches in Spain last year and by the launching, with considerable publicity, of innovative mutual fund prod-

But 1991's twin develop-ments, on the home and the external fronts, were a clear indication of widening ambi-tions; Mr Botin stressed to shareholders the growing internationalisation of the San-

bander group.

By the end of last year, 36 per cent of the group's assets were based in a total of 27 foreign countries. The assets, a combination of subsidiary banks, finance companies and branches of the parent bank, contributed some \$200m, or 27 per cent to the group's consolidated profits.

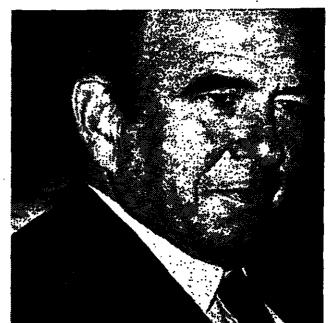
The objective, according to

Santander's chairman, is to lift the non-Spanish contribution to the group's income, from diversified businesses in different countries, to 33 per cent of the total. With such a target in mind acquisitions and invest ment are more likely to be abroad than on the domestic

front in the coming months. Santander certainly has treasure chest to draw on should it wish to buy. It raised its net profits by 17.8 per cent last year to Pta75.1bn (\$777m), increased its Return on Assets (ROA) from 1.30 per cent to 136 per cent, put aside Pta64bn as provisions for reserves, an amount that doubled the non-recurring profits generated last year, and augmented its BIS capital adequacy from 10.5 per cent two years ago to 13.2 per cent in 1991.

Last year Santander paid \$220m to acquire 13.5 per cent of First Fidelity Bancorporation, the 23rd largest financial group in the US, with an option to increase the equity to 23.4 per cent. It was the first Spanish bank to step meaning-fully into the US market and a subsequent placement of \$150m preferential share on the American market fuelled ing further properties in the US.

Other European banks acquiring US institutions have ancountered mixed fortunes. Mr Botin attributed the success of the First Fidelity venture@to three principles: San-tander paid a satisfactory price for its equity, it limited its cap-ital commitment and it supported a skilled management team which was already in place. Only two Santander likewise sold to either domestic or foreign buyers.



nominees joined the First Fidelity board and both were senior group executives with long track records in US banks. sold Banca Jover, a subsidiary based in Catalonia, to Crédit Lyonnais, the French giant which had a year earlier bought another Santander network, Banco Comercial. The group still owns Banco de Mur-cia, a profitable 66-branch net-work in south-east Spain, and Mr Botin says that "if the price is right" he sees no reason why this subsidiary should not be

No less important to the international profile of Santander group are the manner in which it has built on its America and the onset of wholly new business prospects in Europe that result from the parent bank's now four-yearold alliance with Royal Bank of

The group was quick to focus on financial possibilities in Mexico where it earned goodwill by providing \$100m of financing in the privatisation of Bancomer, one of the largest privatisations in Latin AmerLast year, Banco Santander de Negocios, the group's mer-chant bank offshoot, was awarded the underwriting for awarded the index while to the first Ptalobn issue of Mata-dor bonds for the United Mexi-can States. There followed a second issue of Matador bonds for the Interamerican Development Bank at the end of last year and a third, last month for the Banco Nacional de

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Comercio Exterior de Mexico. In what is evidently a strategy that the group will pursue in other Latin American cli-mates, Santander broadened its retail banking activities in Chile by consolidating its life insurance and leasing subsidiaries and by setting up Chile's first factoring company.

In Europe the bank's pet project is IBOS, an acronym for rbank On-line System. This electronic banking venture, has been developed jointly with the Royal Bank of Scotland, a bank in which Santander owns a 10 per cent stake under a cross share agreement. and Mr Botin hails it as the "most innovative and efficient (project) of the European Sin-

A sophisticated update of an ting real-time ban interconnection between San tander and the Royal Bank of Scotland, IBOS has already been introduced into Banco de Comercio e Industria in Portu-gal and CC-Bank in Germany which are both jointly owned by Santander and Royal Bank of Scotland. The plan is to allow access to the system for as many banks as wish to join the network.

Tom Burns

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### Simon London on a change in the pattern of corporate funding

### **Bond markets still buoyant**

THERE was a marked change in the pattern of corporate funding in Europe last year as companies moved away from large syndicated bank facilities, favouring instead simple funding raised from investment institutions and simple bilateral bank loans. Only \$94.4bn was raised in

the European syndicated loans market last year, down from \$163.3bn in 1990. In part this reflects a fall in demand for ank finance as many we European economies moved into recession.

As a provider of stand-by lines of credit, for example, the syndicated banking market is the natural source of acquisi-

As acquisition activity has fallen away, so the number of companies seeking bid finance has decreased.

But the decline in syndicated

lending also stems from pressure on banks themselves to rebuild margins following the excesses of the 1990s. This has increased the cost of bank finance leading companies to examine other alternatives

Some correction in pricing was undoubtedly due. At the peak of the "borrowers' market" in the late 1980s, banks were fighting each other to participate in blue-chip corporate loans. Margins fell to an impossibly fine level.

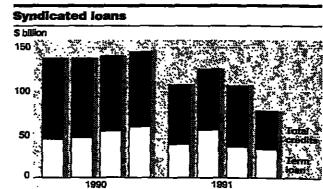
In 1987, BTR, the UK industrial group, secured £1bn 5-year committed funding at a margin.

of 7.5 basis points over the London interbank offered rate. The margin on similar transac-tions has since at least doubled, with fees rising by a simi-

lar proportion.

While the number of syndicated credits has fallen sharply, the bond markets have remained a ready source of finance for large European

In the international bond market alone, companies, governments and supranational agencies raised \$230bn last year, up from \$161bn in 1990



and \$210bn in 1989 - the previ-

ous record Like the weakness of the loans market, the buoyancy of bond markets is partly due to cyclical factors: as interest rates have declined in many economies, investors have been switching funds into bond market investments. While the cost of book finence has item risely of bank finance has risen, vield spreads in the bond market have fallen to attractive levels.

However, the cyclical buoyancy of bond markets also overlays a longer-term switch by companies in favour of funding provided by investment institutions such as insurance companies and pension funds.

Problems experienced by large companies, such as News Corporation, in re-structuring complex banking facilities has underlined that over-reliance on a single source of finance can be dangerous. The diversification of funding is being

pursued by corporate treasurers across Europe.

However, only the biggest companies can tap the public Europond market. Bond issues usually have to be of a certain size and liquidity - around \$150m equivalent - to attract

One of the biggest challenges for corporate financiers has been to find a way for smaller companies to tap investment

institutions for debt finance. An increasing number of European companies are raising debt finance in the US, placing "tailored" debt securities with institutional investors. The size of US debt placements has grown: large European companies, such as Allied Lyons, bave raised \$400m from

a single placement of bonds.

The potential of the market for European companies is huge. Of the \$160hn new paper placed last year, foreign com-panies accounted for just 5 per

UK companies have been UK companies have been most active, not least because UK accounting conventions are at least adjacent to US rules. However, following aggressive marketing by US banks keen to drum up business, companies from France, Holland and Germany are not far behind.

Those UK companies which have tapped the market—such as Pilkington and NFC—often use the proceeds to repay bank debt. In an environment where bank credit is seen as

bank deor. In an environment where bank credit is seen as more restricted and less reli-able than in the past, institu-tional funding has a utility over and above its competitiveness in terms of cost.

Within Europe, the private placement market has been largely replaced by the use of medium-term notes. An MTN programme allows companies

to issue bonds, usually of between one year and 30 years' maturity, under a single legal framework, placing securities denominated in a range of currencies as pockets of demand are identified. As in a commercial paper programme, liquid-ity is provided by a number of dealing banks tied to the pro-

New European medium-term note programmes set up last year amounted to \$42bn, up from \$31bn in 1990.

It remains to be seen whether European investment institutions will continue to embrace the MTN market with any enthusiasm. While MTNs offer investors a supply of assets tailored to match specific balance sheet requirements, the perceived illiquidity of the instruments has always been seen as a drawback.

These factors mean that most corporations, even the largest, remain reliant on bank facilities to manage short-term liquidity.

But styles of bank borrowing have changed. Bilateral loans are replacing complex, syndicated multiple-option facilities. A more diffuse pattern of funding is now seen as a prudent regrouse to the asternior. response to the retrenchment

of banks. BP, the UK-based oil com-pany which is seen as a beli-wether of corporate treasury activity, last year replaced syn-dicated bank facilities with a series of bilateral loans, dra-matically reducing the number of banks with which it deals. Other companies are following Other companies are following the same pattern.

Corporate treasurers note that there is an inherent refunding risk in having £1bm bank finance falling due on one day. In addition, the largest companies realise that they have greatest leverage over lenders when business is con-centrated with just a few key institutions. More bank lenders does not necessarily mean less risk



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